

FINANCIAL TIMES



Alcatel
Bad connections
Page 17



World Bank
Problems for new boss
Page 6



High stakes game
Russian broadcasting
Page 16



Today's survey
Portugal - Finance and investment
Page 18

World Business Newspaper

TUESDAY MARCH 14 1995

D8523A

Former Barings directors barred from new boards

Former directors of Barings, the collapsed London merchant banking group, have been barred temporarily by securities regulators from becoming directors of the new Barings businesses created by ING. In Frankfurt, Nick Leeson, the former Barings trader accused of bringing about the bank's collapse, formally opposed extradition to Singapore at a court hearing. Page 18

Alcatel board supports chairman The board of Alcatel Alsthom expressed its confidence in Pierre Suard but failed to damp speculation that the chairman and chief executive of the French industrial group could be forced to step down as a result of a fraud investigation. Page 19; Lex, Page 18

French roll out red carpet for Castro Cuban president Fidel Castro (left), started a controversial visit to France with a red-carpet welcome from Socialist president François Mitterrand while a conservative minister called him a dictator. The 60-year-old communist revolutionary leader began his three-day stay with a kiss on both cheeks from France's first lady Danielle Mitterrand.

China agrees to WTO talks China agreed to restart talks on joining the World Trade Organisation after the US expressed support for its admission. The new round of discussions will begin in Geneva next month, US trade representative Mickey Kantor said. Page 18

Personal computer sales quadruple Worldwide sales of multimedia personal computers quadrupled last year to 10.3m units from 2.5m units shipped in 1993, according to a study by Dataquest, the US market research group. Page 20

Crédit Lyonnais loses up Crédit Lyonnais, the troubled state-controlled French bank, is to report much greater than expected losses for 1994 of about FF100bn (\$20bn), considerably higher than the losses of FF69.9bn in 1993. Page 3

Zedillo marks 100 days President Ernesto Zedillo marked his first 100 days in office with a sombre speech, promising Mexicans blood, sweat and tears while the country digs itself out of the worst financial crisis of the past 12 years. Page 6

Credit Suisse withdraws Budapest bid Credit Suisse, the Swiss bank, withdrew from a bid for Budapest Bank of Hungary which would have resulted in its first foreign acquisition. Page 19

US and UK lead drugs market The US and the UK were the fastest growing of the world's main drugs markets in 1994, both growing 8 per cent to \$52.9bn and \$5.6bn respectively. Page 9

Christopher meets Syrian leader US Secretary of State Warren Christopher said talks with Syrian President Hafez al-Assad in Damascus had been very good, raising the prospect of progress in the stalled Israeli-Syrian peace process. Page 4

Japanese bureaucrats punished The Japanese government punished six senior bureaucrats in an attempt to defuse criticism of the official rescue of two credit unions, which will be vital to the feasibility of any future bail-outs. Page 8

Cathay profits up 4% Cathay Pacific, the Hong Kong airline, unveiled net profits for 1994 of HK\$2.38bn (US\$309m) - just 4 per cent ahead of the HK\$2.29bn earned in 1993. Page 22

Storm hits flood-ravaged California President Bill Clinton declared part of California a disaster area after another Pacific storm struck the state following storms which killed 11 people last week. Experts said damage could cost \$2bn.

Missile blast near N-plant A missile launched by a Russian pilot on a practice mission went out of control and exploded near a nuclear power station last Friday. It fell three miles from the Novovoronezh nuclear power station in western Russia.

EU growth slows The European Union's economy grew 0.7 per cent in the third quarter of 1994 against 1.0 per cent in the previous quarter, the EU said. This compared with growth of 1.0 per cent in the US and 0.9 per cent in Japan.

We apologise to readers of the international edition for the recent erratic delivery of the paper in some regions. This has been caused by teething problems in a new computer and communications system. We are taking steps to prevent these problems recurring.

STOCK MARKET INDICES		GOLD	
New York Composite	4,028.30 (+2.25)	New York: Comex	(383.1)
Dow Jones Ind. Av.	4,028.30 (+2.25)	London: Gold	(383.1)
NASDAQ Composite	303.71 (+1.45)	London: Gold	(383.1)
Europe and Far East		London: Gold	(383.1)
CAC40	1,721.8 (+21.3)	London: Gold	(383.1)
DAX	1,998.48 (+5.47)	London: Gold	(383.1)
FT-SE 100	3,971.2 (+4.3)	London: Gold	(383.1)
Nikkei	16,477.5 (+119.25)	London: Gold	(383.1)
US LUNCHTIME RATES		DOLLAR	
Federal Funds	5.12%	New York: Lintas	1.5915
3-month T-bill	5.901%	DM	1.408
Long Bond	10.2%	FF	5.0195
Yield	7.448%	Sfr	1.175
OTHER RATES		Y	90.765
UK 3-month bank	6.11%	London: £	1.5814 (1.5814)
UK 10 yr Gilt	5.91%	DM	1.4083 (1.4145)
France 10 yr OAT	5.91%	FF	5.022 (5.0348)
Germany 10 yr Bund	10.2%	Sfr	1.17 (1.1818)
Japan 10 yr JGB	10.245%	Y	90.225 (91.24)
NORTH SEA OIL (Argus)		STERLING	
Brent 15-day (Avg)	\$16.53 (16.53)	DM	2.2354 (2.2355)
Tokyo close	Y 90.45		

Australia	60.05	Greece	140.00	Malta	140.00	Qatar	140.00
Belgium	140.00	Hong Kong	140.00	Morocco	140.00	S. Arabia	140.00
Denmark	140.00	India	140.00	Nepal	140.00	Singapore	140.00
Egypt	140.00	Indonesia	140.00	Philippines	140.00	Sri Lanka	140.00
France	140.00	Israel	140.00	Poland	140.00	Taiwan	140.00
Germany	140.00	Italy	140.00	Portugal	140.00	Thailand	140.00
Greece	140.00	Japan	140.00	Romania	140.00	Turkey	140.00
Hong Kong	140.00	Korea	140.00	Slovakia	140.00	Ukraine	140.00
India	140.00	Malaysia	140.00	Slovenia	140.00	USA	140.00
Indonesia	140.00	Mexico	140.00	Syria	140.00	UK	140.00
Israel	140.00	Norway	140.00	Taiwan	140.00		
Italy	140.00	Oman	140.00	Turkey	140.00		
Japan	140.00	Pakistan	140.00	Ukraine	140.00		
Korea	140.00	Peru	140.00	USA	140.00		
Malaysia	140.00	Poland	140.00	UK	140.00		
Malta	140.00	Portugal	140.00				
Mexico	140.00	Romania	140.00				
Morocco	140.00	Slovakia	140.00				
Nepal	140.00	Slovenia	140.00				
Netherlands	140.00	Syria	140.00				
New Zealand	140.00	Taiwan	140.00				
Norway	140.00	Thailand	140.00				
Oman	140.00	Turkey	140.00				
Pakistan	140.00	Ukraine	140.00				
Peru	140.00	USA	140.00				
Philippines	140.00	UK	140.00				
Poland	140.00						
Portugal	140.00						
Romania	140.00						
Slovakia	140.00						
Slovenia	140.00						
Syria	140.00						
Taiwan	140.00						
Thailand	140.00						
Turkey	140.00						
Ukraine	140.00						
USA	140.00						
UK	140.00						

UK premier seeks Clinton help over IRA weapons

By Robert Peston in Jerusalem and John Kampfner in London

Letter from prime minister regrets US decision to meet Adams

Mr John Major has written to President Bill Clinton asking him to put pressure on Mr Gerry Adams, Sinn Féin leader, to take firm steps towards the decommissioning of IRA weapons.

The prime minister's letter is understood to express regret at Mr Clinton's decision to meet Mr Adams at a St Patrick's day celebration and to allow him to raise funds during his visit to the US.

Officials said yesterday the letter, sent on Friday, also suggested ways of minimising any damage to the Northern Ireland peace process which may result from Mr Adams' presence at the White House.

The response from Washington was terse. Mr Michael McCurry, White House press secretary, said the administration had no second thoughts on the decision.

"We are aware of their [the British] concerns," he said. Speaking in Jerusalem where he is leading a delegation aiming to boost Anglo-Israeli trade, Mr Major said: "We are in touch [with the White House] on this issue."

In remarks said by a senior official to echo the sentiments of the letter, Mr Major said: "I think it is important that pressure is put on Sinn Féin [to take steps to decommission arms]. I hope that course is urged upon him [Mr Adams]."

EU freezes links with Canada over arrest of trawler

By Bernard Simon in Toronto, David White in Madrid and Caroline Southey in Brussels

The European Union froze all formal contacts with Canada as the dispute over seizure of a Spanish trawler intensified yesterday.

Spain was preparing to send a second naval vessel to protect its fishing fleet in the north-west Atlantic, where Canadian authorities detained the trawler after alleging that it had violated international limits on trawling.

Mr Javier Solana, Spanish foreign minister, said Madrid was considering "all diplomatic measures", but would not be more explicit. He refused to rule out breaking off relations with Canada, and said Madrid had started filing procedures at the International Court of Justice in The Hague against Canada.

The EU is unwilling to discuss complaints from Canada until after release of the trawler, the Estal, and its crew, taken into custody last Thursday. "All contacts which had been planned have been put on ice," a commission official said.

The first casualty of the diplomatic freeze will be a planned political consultation today in Paris between officials from Canada and the EU, represented by Germany, France and Spain.

The vessel, which has been impounded in St John's Harbour, was seized outside Canada's 200-mile fishing zone. But Mr Allan Rock, Canada's justice minister, justified the arrest "on the principle that [international] law evolves to take into account changing circumstances."

Canada maintains that the seizure was necessary to conserve dwindling stocks of halibut in the north-west Atlantic after the virtual disappearance of cod and flounder. It has accused Spanish and Portuguese trawlers, and the Estal in particular, of flouting quotas agreed by the North-west Atlantic Fisheries Organisation.

However, lawyers for the Estal are expected to tell a Newfoundland court today that Canada has no jurisdiction over the vessel or its captain. The Estal's captain is due to appear in court to face four charges under Canada's fish conservation laws.

The strong stance by Madrid reflects fierce reactions in Spain's Galicia region. The fleet of 40 freezer vessels based in Vigo relies on the catch of Greenland halibut.

The Canadian government is also under strong domestic pressure to maintain a tough line. The seizure of the Estal has been widely applauded, especially in Newfoundland, where about 30,000 jobs have been lost as a result of the collapse of the cod fishery.

Meanwhile, Mr Michael Jack, the UK fisheries minister, expressed "some sympathy" with the Canadians, but insisted that the dispute should be settled through negotiation rather than "precipitate actions on the high seas."

Although faced by a House of Commons largely hostile to the Spanish fishing industry and sympathetic to the Canadians, he refused to rule out Britain's joining possible EU sanctions against Canada over the issue.

Buffett writes down holding in USAir

Maggie Urry in New York and Michael Skapinker in London

Mr Warren Buffett, the US investment guru, dented his reputation as an investor and dealt a blow to USAir by writing down the value of his investment company's stake in the troubled airline by \$265.6m to \$89.5m.

Banks could take up to four years to prepare for Emu

By John Gapper in London

Banks in the European Union will have to spend three to four years preparing for a single currency and between Ecu8bn and Ecu10bn (\$10.5bn-\$13.1bn) on implementing it, says a study published yesterday by the European Banking Federation.

Leaders of the federation - the trade organisation for European commercial banks - urged governments to produce the technical specifications for a single currency quickly to allow banks to make the change smoothly after European monetary union.

The Emu timetable envisages "rapid introduction" of a single currency after the start of the third stage of Emu - when exchange rates are locked. That is due between the start of 1997 and 1999.

The federation estimated a single currency would cost banks the equivalent of 2 per cent of operating costs for each year of changeover as they switched technology, changed banknotes and altered marketing material.

The British Bankers' Association said 2 per cent of UK banks' operating costs would be \$314m (\$1.5bn) at 1994 prices. Changes to information technology would account for £436m of this, and stationery and marketing changes would cost £294m.

The decision puts further pressure on British Airways, the UK flag carrier, to write down the £261m (\$428m) book value of its 24.6 per cent stake in USAir.

BA said yesterday its position on USAir remained unchanged. It said: "Our board has made it clear that it will only consider a write-down if there is a permanent diminution in the value of our investment."

It said its relationship with the US carrier was different from Mr Buffett's. "As far as he's concerned, it's a straightforward investment. For us, it's part of a wider partnership."

The write-down by Berkshire Hathaway, Mr Buffett's investment company, reflected an "other than temporary" decline in the value of the investment, it said when reporting 1994 results.

The move suggests Mr Buffett cannot see an early solution to USAir's problems which would have allowed him to continue to carry the stake at cost.

Last November, Mr Buffett said he and Mr Charles Munger, Continued on Page 18

Tapie in court for match-rigging trial



Bernard Tapie (right), the former French soccer boss and leftwing politician, speaks to police at Valenciennes courtroom yesterday. Mr Tapie was in court for a trial concerning the rigging of a key match between Marseille and Valenciennes in 1993. He denies any involvement in the affair and, during the first day of the hearing yesterday, clashed with presiding judge Bernard Langlade, who threatened to expel him from court after he interrupted the reading of the charge sheet, insulted the public prosecutor and disrupted testimony. Details, Page 18

ing the first day of the hearing yesterday, clashed with presiding judge Bernard Langlade, who threatened to expel him from court after he interrupted the reading of the charge sheet, insulted the public prosecutor and disrupted testimony. Details, Page 18

IB 1735

BLANCPAIN

Since 1735 there has never been a quartz Blancpain watch. And there never will be.

Calogue and video BLANCPAIN SA CH-1348 Le Brassus Switzerland
Tel 41-21 845 40 92 Fax 41-21 845 41 88

NEWS: EUROPE

EU transport commissioner wants member states to cede powers to Brussels

Kinnock to seek authority over air deals

By Caroline Southey in Brussels

Mr Neil Kinnock, European Union transport commissioner, will today try to persuade EU transport ministers to cede to Brussels full authority over negotiating an "open skies" policy. His intervention follows US moves to negotiate deals with six EU member states.

Mr Kinnock faces a long battle with transport ministers, who have traditionally been reluctant to give the Commission power to negotiate deals on their behalf with the US.

"Mr Kinnock is making an ambitious and difficult request," an official said. "But

it is worth having a go because he believes the legal and economic consequences for the EU are enormous if the US secures deals with the six."

The six are Belgium, Luxembourg and Austria, which have already initiated agreements with Washington, and Finland, Sweden and Denmark.

Mr Kinnock will present to transport ministers legal and economic arguments against the so-called "model" agreement which is the basis for the Washington negotiations, but will stop short of formally requesting a mandate.

France, which holds the EU presidency, will propose the ministers consider a Communi-

ty-wide set of principles which member states would use as guidelines when negotiating bilaterally with a third party.

Mr Kinnock believes his presentation of the "model" agreement will provide the ammunition necessary to convince states to cede power to Brussels on aviation matters.

But the omens are not good. Last week the six rejected his request that they desist from negotiations. "They are likely to be quite cagey about his approach," an official said.

Among the larger member states, Mr Kinnock's request is likely to fall on deaf ears in the UK, where the government remains committed to member

states' retention of bilateral negotiating powers.

"There is obviously a tension between ceding competence on the one hand and the practical effects of the deals on the other," said an official. "But powers to negotiate, Britain thinks they should be able to exercise them."

However, Mr Kinnock may receive support from Germany. Bonn believes there is a case to be made against the deals on economic, political and legal grounds. "Bonn understands Mr Kinnock's reservations. Politically this is not the way the EU's aviation policy with the US should be decided," an

official said. "There are also fears that the agreements could lead to traffic being pulled out of Germany."

There are already signs compromise proposals may emerge from today's discussions. "There are a number of other options between sole competence for the commission and the position we have now," a Commission official said.

The US's open sky initiative has created another problem for the transport ministers. What was expected to be a *pro forma* discussion on a mandate for the commission to negotiate a land and air transport deal with Switzerland has been complicated as the Swiss have

also initialising an open skies deal with Washington.

A Commission official said: "We might need additional provisions in the mandate depending on the details of the open skies deal."

But Swiss officials warned that a postponement would send the wrong signals. "Switzerland is adamant that the two issues should be kept apart. We do not want to be drawn into the argument about competence, either directly or indirectly. The agreement with the US does not foresee any rights that would affect the EU. It is a bilateral matter," a Swiss official said.

Editorial comment: Page 17

Croatian Serbs stay aloof from peacekeeping move

By Laura Silber in Belgrade

The leaders of rebel Croatian Serbs wanted yesterday they would never bow to the authority of Zagreb, despite the goodwill created by the Croatia's last-minute decision to let UN peacekeepers remain on its territory.

Serbia's President Slobodan Milosevic summoned the leaders of the self-proclaimed Krajina Serb republic - which covers nearly one-third of Croatia's territory - to Belgrade for closed-door consultations.

Mr Slobodan Jarevic, an adviser to the Croatian leadership, said as the talks started: "Krajina will never become part of Croatia. We are an independent state completely separate from Croatia."

This followed a Croatian climbdown over the weekend which staved off the immediate risk of war and passed the political initiative back to the Serbs. Under intense western pressure, Mr Tudjman reversed his earlier decision to expel the UN force of 12,000 when their mandate expires at the end of March.

He said a fresh mandate would now be negotiated, providing for a smaller force of about 5,000, to be deployed mainly on Croatia's internationally recognised borders.

Zagreb's concession, while welcomed by western diplomats, is not expected to keep the spectre of renewed war at bay for long unless there is some progress in negotiations over Croatia's future.

During the recent weeks of uncertainty over the future of the UN peacekeeping force in Croatia, the Krajina Serbs had refused to take part in further negotiations over long-term political arrangements.

Now that this barrier to further talks has been lifted, diplomats expect intense international pressure on the parties to restart talks on the so-called "Z-4" plan which would restore Croatia's integrity but grant extensive autonomy to two Serb-dominated areas, including the Serb stronghold of Knin.

Mr Yasushi Akashi, the senior UN envoy to former Yugoslavia, is due in Belgrade later this week for meetings with Mr Milosevic and the Krajina Serb leaders.

Acceptance by the Krajina Serbs of the Z-4 plan would open the way for

Serbia to grant formal recognition to the Croatian republic. This could mean a further easing of international sanctions against Serbia.

Diplomats say Mr Milosevic has a strong interest in the success of the Z-4 plan, which could provide him with new international respectability. But he has resisted pressure to lean heavily on his kinsmen in Croatia.

Leaving yesterday's meeting, Mr Borislav Miketic, a Krajina leader who is viewed as Mr Milosevic's proxy, praised Croatia's decision as "very reasonable" and "constructive".

Yet the Serb and Croat positions on political arrangements in Croatia, and on the future role of the UN, remain far apart. Belgrade's state-run radio warned yesterday that substantial changes in the UN mandate - of the kind that Croatia is demanding - would lead to renewed war.

Zagreb is reported to have made the redeployment of UN forces on the internationally recognised borders of Croatia a key condition for their continuing presence.

Serb commentators expressed bitterness yesterday over what they view as Croatia's success in using brinkmanship to secure clearer international support for the protection of its borders. Tanjug, the state news agency, in a commentary described it as "political trickery" which had enabled Croatia to achieve its aims "in close co-operation with Bonn".

Mr Klaus Kinkel, the German foreign minister, yesterday called for the rapid integration of Serb-held lands in Croatia by peaceful means.

"Tudjman, the Croatian population and (foreign minister Mate) Granic were rightly extremely dissatisfied that the UN couldn't fulfil what it promised in relation to the Krajina," Mr Kinkel said.

"For that we have the famous Z-4 plan, which means that there must be negotiations as soon as possible on a peaceful reintegration of the Serb-controlled areas."

Mr Tudjman, meanwhile, will also have to explain to nationalists at home why he has thrown away his one trump card - the UN mandate - without gaining anything concrete in return. The Social Liberals, the main opposition party, said Croatia had "lost its political credibility and independence" by agreeing to the compromise.

PPI chief clings to wreckage

Buttigione refuses to quit, but the party will break up with or without him, reports Robert Graham

Mr Rocco Buttigione yesterday refused to step down from the leadership of the centrist Popular Party (PPI), even though he was defeated in a vote of confidence on the national executive at the weekend.

In a defiant move, Mr Buttigione insisted he was still in command and ordered the sacking of three senior party members who had voted against him. His opponents counter-attacked, saying he had lost his right to head the party and pledging to find a new leader as soon as possible.

The unifying scrap can prolong - but not prevent - the break-up of the PPI, which was conceived 14 months ago to replace the discredited Christian Democrats as the Catholic party controlling the middle ground of Italian politics. The debacle will remove the PPI, which currently accounts for about 8 per cent of the vote in opinion polls, from any role as a centre party mediating between left and right.

The inevitable split will also bury the illusions of those politicians and members of the clergy who still believe it possible to retain the Catholic vote under the umbrella of a single party. The Christian Democrats first split in 1991 when a radical faction led by Mr Leoluca Orlando, the mayor of Palermo, formed La Rete (The Network) clean government movement.

The following year Mr Mario Segni, leader of the referendum movement, formed his own reformist group. When the Christian Democrats wound themselves up in January 1994, a small right-wing faction formed the Christian Democratic Centre (CCD), linking with Mr Berlusconi's Forza Italia; others joined Mr Ciriaco De Mita's rightist National Alliance.

The battle for control of the PPI has been provoked by the need to form alliances in an increasingly polarised political environment resulting from the introduction of a first-past-the-post electoral system. Hostilities began on March 8 when Mr Buttigione committed himself to leading the PPI into a right-wing alliance being put together by Mr Silvio Berlusconi, the former prime minister.

The decision was reached without prior consultation of the executive, but came after weeks of ambivalent conversations with Mr Berlusconi and his allies on the one hand and the parties on the centre left coalescing round the former communist Party of the Democratic Left (PDS) on the other. It immediately caused a storm of protest from the influential left of the party, who had already proposed an electoral alliance with the PDS under the leadership of Professor Romano Prodi, an independent candidate close to the former Christian Democrats.

A meeting of the national executive was hastily convened on Saturday to vote on Mr Buttigione's initiative. He lost by 102 votes to 99. The left of the party, and a number of moderates, were not prepared to undo increasingly solid links forged at the local level with the PDS in advance of April's regional and local elections. In addition, Mr Buttigione's opponents were unwilling to countenance an alliance that brought the PPI into direct association with the National Alliance, whose neo-fascist roots



I'm still standing: Buttigione addresses his party's council last month

remain all too apparent.

Though a narrow margin, the vote was a serious setback. Mr Buttigione cannot now take the PPI as a party into Mr Berlusconi's alliance: he can merely lead his own followers. This makes him very much a junior partner in the alliance, with the risk of being absorbed by Forza Italia.

The defeat also raises questions about the political judgment of a man who until a year ago was a philosophy professor. In December he was instrumental, along with Mr Umberto Bossi, the leader of the populist Northern League, in forcing Mr Berlusconi's downfall by tabling a parliamentary motion of no confidence. He hoped that with Mr Berlusconi out of office, Forza Italia would weaken and the PPI would gain a floating conservative vote. Instead, Mr Berlusconi has retained a tight grip over Forza Italia, while Mr Buttigione depends on him to survive.

Several leading members of the Democratic Convention, Romania's main opposition group, are not expected to sign a new co-operation agreement due to be completed by tomorrow, amid growing signs that the bloc is falling apart, diplomats and analysts in Bucharest said yesterday, writes Virginia Marsh.

Analysts said the parties' failure to sign the protocol would be tantamount to leaving the group, a loose coalition of anti-communist, centrist organisations formed to contest local elections three years ago.

At the weekend, Liberal Party 93, one of the largest groups in the DC, became the second party to announce it intended to leave the coalition. The Civic Alliance party and the ethnic Hungarian party, two other important DC members, have said they will not sign the protocol, which includes a strategy to fight local, presidential and parliamentary elections due next year. Their departures will increase the domination of the National Peasants party in the DC, which the other parties had found increasingly unacceptable.

would quickly develop but western European style democracy still seems a long way off. "There's an increasing sense that the PDSR is the party and that there's no other option," says a western analyst.

At the request of opposition parties, the Council of Europe has asked President Ion Iliescu to investigate the circumstances of the dismissals. The opposition has also tried to mobilise public opinion against the dismissals through a press campaign but, after strings of well publicised corruption scandals, many Romanians are deeply cynical about the government.

A large part of the problem is the weakness of centre-right opposition parties, which have found it difficult to provide a united or credible alternative to the PDSR and its allies since the overthrow of the totalitarian Ceausescu regime in December 1989.

The PDSR is dominated by

Romania's opposition finds the going tough

Last October, Mr Constantin Tutunaru, mayor of Bucharest's sixth district, was asked to attend a routine meeting at the local police station. Instead of discussing local finances, however, Mr Tutunaru found himself accused of abusing his powers as mayor and acting against the public interest. He spent the next 17 days in jail.

Five months later, Mr Tutunaru, a member of the National Peasants party, a leading centre-right opposition party, is still fighting to clear his name and be reinstated as mayor of district six, a ward with 420,000 inhabitants. Among the charges against him are that he personally profited from the collection of Christmas presents for local orphanages and old peoples' homes and used his influence to move some relatives from

Virginia Marsh reports on persecution of public figures by experienced former communists who are well versed in how to hang on to power

one state-owned home to another which was then renovated at the state's expense.

Mr Tutunaru is just one of many local officials elected three years ago who are no longer in their posts. He became mayor in February 1992 when opposition parties won many regions and large towns in Romania's first free local elections in more than 40 years.

The government of the Party of Social Democracy (PDSR) has the rump of the leftwing National Salvation Front which took power in 1990 - says it has suspended 133 mayors for breaking the law and that a further 264 have resigned for "personal reasons" ranging from health problems to low pay.

In most democracies, elected officials cannot be dismissed by the central government for allegedly breaking the law. Like other citizens, they must first be tried and convicted by a court before being presumed guilty. Mr Tutunaru says that in his case the government did not even follow its own procedures in dismissing him.

The Bucharest government, a coalition between the PDSR and an extreme nationalist party, has been slow to overhaul communist-era regulations governing local authorities and officials or to decentralise power to them, even though it pledged to do so

three years ago in its governing programme.

This led a recent report on local government in Romania, sponsored by the European Union, Council of Europe and the World Bank, to warn that the tendency "to conserve and even re-build" the pre-1989 administrative system presents "major risks" for the country and runs against efforts to build democracy.

Local government receives all its funding from the central government.

Mr Tutunaru says the police and central authorities are able to exploit the country's only partly reformed legal system. "The fact that we still have no law on the status of elected officials, for example, means that mayors can be arrested and suspended indefinitely while police make inquiries," he says. "In theory, police could arrest an official the day after his election and keep him under investigation - and out of office - until the end of his term."

Nor do courts have a time limit during which they must pronounce a verdict. Mr Tutunaru's case was heard at the beginning of November. He is still waiting for the verdict.

In the meantime, I am suspended from my job, not entitled to my salary and not free to find other work. This is

against the principle of being innocent until proved guilty, which is in our constitution," he says.

Even though most of those dismissed are from opposition parties, the government denies there is any political motivation behind the sackings. This claim is disputed by opposition parties, western diplomats and independent analysts.

"There is a lot of corruption in Romania and many mayors make mistakes," says a western diplomat in Bucharest. "But there is also clearly a political component. Opposition mayors and officials are being targeted, while those from governing parties are not... At the same time, the ruling party has little interest in reforming local government - this is the area in which it is weakest and such reforms would benefit the opposition more than it."

Analysts say the dismissals are part of a wider trend as the PDSR attempts to strengthen its grip on power ahead of next year's general elections. "There is a process of intimidation of mayors and public employees in general. Many get fed up and resign. Others give in and join the PDSR," says another western diplomat.

Such tactics are helping create a lopsided political system, analysts say. "In 1989, many were hopeful that a genuinely pluralistic political structure

Several leading members of the Democratic Convention, Romania's main opposition group, are not expected to sign a new co-operation agreement due to be completed by tomorrow, amid growing signs that the bloc is falling apart, diplomats and analysts in Bucharest said yesterday, writes Virginia Marsh.

Analysts said the parties' failure to sign the protocol would be tantamount to leaving the group, a loose coalition of anti-communist, centrist organisations formed to contest local elections three years ago.

At the weekend, Liberal Party 93, one of the largest groups in the DC, became the second party to announce it intended to leave the coalition. The Civic Alliance party and the ethnic Hungarian party, two other important DC members, have said they will not sign the protocol, which includes a strategy to fight local, presidential and parliamentary elections due next year. Their departures will increase the domination of the National Peasants party in the DC, which the other parties had found increasingly unacceptable.

would quickly develop but western European style democracy still seems a long way off. "There's an increasing sense that the PDSR is the party and that there's no other option," says a western analyst.

At the request of opposition parties, the Council of Europe has asked President Ion Iliescu to investigate the circumstances of the dismissals. The opposition has also tried to mobilise public opinion against the dismissals through a press campaign but, after strings of well publicised corruption scandals, many Romanians are deeply cynical about the government.

A large part of the problem is the weakness of centre-right opposition parties, which have found it difficult to provide a united or credible alternative to the PDSR and its allies since the overthrow of the totalitarian Ceausescu regime in December 1989.

The PDSR is dominated by

EUROPEAN NEWS DIGEST

Turkish Shias in fresh clashes

At least nine people died and 100 have been injured in two days of rioting in Istanbul's Shia Muslim districts. Protesters from Turkey's minority Shia community took to the streets late on Sunday night after gunmen, believed to belong to a fundamentalist Sunni Muslim group, shot dead three men in random attacks on Shia shops and tea houses.

Rioting continued all day yesterday, with protesters attacking police with petrol bombs and stones. Security forces brought in armoured vehicles and tried to seal off the area. Yesterday's clash was the worst incident involving the Shia minority since fundamentalist Sunni Muslims killed 37 Shias during a riot in the city of Sivas in 1988.

Turkey's Shia community, known as Alevis, practise a less strict form of Islam, bringing them into conflict with the growing Sunni fundamentalist movement. Many observers fear deepening religious violence will further tear at Turkey's foundations, undermined by the worst economic crisis in 70 years and ethnic conflict in mainly Kurdish south-eastern Turkey. Prime minister Tansu Ciller yesterday appealed for calm, saying: "We will never allow anyone to fulfil [evil] aims in Turkey. Alevis, Sunnis, Turks and Kurds have lived together on this land for centuries." John Bartham, Istanbul

Turks to boost Azeri oil stake

Azerbaijan has agreed to increase Turkey's share in a \$7.4bn international oil consortium developing offshore oilfields in the Caspian Sea. Azeri President Heydar Aliyev said yesterday he supported the sale of a 5 per cent share in the consortium held by Socar, the Azeri national oil company, to TPAO, Turkey's state oil company. TPAO has been trying to increase its 1.75 per cent share in the consortium since it was set up last year. However, Mr Necdet Pamir, a senior TPAO executive, cautioned yesterday: "TPAO cannot confirm this. We still need Socar's approval. Aliyev's signature is not enough."

Turkish officials hope this will be a formality. Mr Pamir refused to disclose the terms of the sale. He said other members of the consortium, which includes British Petroleum, Statoil of Norway and Russia's Lukoil, last month approved Socar's share sale to TPAO, as required under the consortium's rules. Turkey considers participation in the consortium an important foreign policy objective. It is trying to increase its role in the Turkic republics of Central Asia and the Caucasus. Turkey is also pressing for a future oil export pipeline to cross its territory, further strengthening its strategic influence and generating revenues. John Bartham.

Italian merchant banker probe

Italian magistrates yesterday questioned Mr Enrico Cuccia, octogenarian chairman of Mediobanca, over allegations that the Milan merchant bank concealed the extent of problems at Ferruzzi-Montedison, one of Italy's largest industrial groups, in 1983. Ferruzzi-Montedison was brought to its knees by L435bn (\$263bn) of undeclared bad debts, and Mediobanca was the principal architect of the debt restructuring plan which helped rescue the group. The Ferruzzi family, which controlled the company, and their allies allege that Mediobanca knew more than it has admitted about the difficulties facing the industrial group.

Mr Cuccia, 87, is still regarded as the single most influential figure in Italian finance, and Mediobanca continues to wield considerable power through its network of corporate contacts. Yesterday's three-hour interview - which Ravenna magistrates held in Milan in deference to his age - was well heralded. Mr Cuccia and three other executives of Mediobanca were warned last May they were under investigation, prompting the bank to issue its first ever press release, angrily denying the allegations. Andrew Hill, Milan

Brussels setback on ship cartels

The European Commission has suffered a setback in its attempt to impose controls on a price-fixing agreement reached between international shipping lines on north Atlantic trades.

The European Court has suspended a ban imposed by the commission on members of the Trans-Atlantic Agreement which forbade them to set tariffs on the landward section of journeys, from factory to port. The commission last year ruled that shipowners had no right to set rates on the landward part of the journey because there was no benefit to their customers, the exporters. The shipowners took the matter to the European Court.

The court decision means a ruling will be put off until the court makes up its mind about the overall legality of the TAA in about two years. The commission may, however, appeal on a point of law. The court decided to suspend the commission ruling because it would cause "grave and irreparable harm" to the shipowners.

But the European Council of Transport Users, representing the customers of the shipping lines, said letting shipowners fix landward rates would severely harm European exporters to the US. Charles Batchelor, London

Law report, Page 12

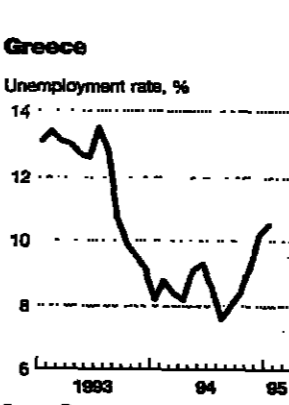
Castro savours first Paris visit

President Fidel Castro yesterday claimed that his first trip to Paris in his 36-year rule marked an end to the "apartheid" of Cuba organised by the US, which he denounced for its "criminal blockade" of his country. Wearing a sober blue suit instead of his habitual military fatigues, Mr Castro was first given lunch at the Elysee by President Francois Mitterrand. The invitation reflected the desire of the French president, and his wife Danielle who has visited Cuba many times, to underscore their opposition to the US boycott of Cuba before Mr Mitterrand steps down from office in two months' time.

Mr Castro, who had been in Copenhagen for the UN's social summit, told Mr Mitterrand that on arriving on French soil, he felt the "apartheid" of Cuba was "finished". His previous European trips had been limited to Spain. David Buchan, Paris

ECONOMIC WATCH

Greek wholesale prices rise



Source: Demetra

Greek wholesale prices showed a larger than expected increase in January, rising by 10.5 per cent over January 1994. This followed a yearly rise of 10.2 per cent in December. The increase over December 1994 was 1.5 per cent. However, several analysts brushed aside fears that rising wholesale prices would push consumer prices upwards over the next three months, undermining the government's hopes of achieving single-digit inflation before the summer. They said a 2.0 per cent increase in January in wholesale prices of manufactured goods reflected mark-ups at the start of the year. The recession and falling prices for imports, together with tighter monitoring of agricultural wholesale merchants, who have been accused of price-fixing, were expected to keep down further first quarter rises. Because of increasing competition, retail price increases lagged several months behind wholesale increases during 1994. Kern Hope, Athens

The European Union's economy grew 0.7 per cent in the third quarter of 1994 against 1.0 per cent in the previous quarter, according to figures released by the EU's statistics office. In the first nine months of last year, the EU's gross domestic product was 2.5 per cent up on the same period of 1993. The largest GDP rise in the third quarter of last year was registered in Finland (1.4 per cent). Sweden was the only EU state to record a fall (0.1 per cent).

Talk fluently to 95% of executives in major Japanese companies -

JUST SAY 'NIKKEI'

To advertise in the world's most powerful business daily, phone 0171 379 4994 **NIKKEI**

Handwritten signature: J. M. 1.50

Paris bank's rivals query rescue plans

By Andrew Jack in Paris

Credit Lyonnais, the troubled state-controlled French bank, is to report much greater than expected losses, it emerged yesterday as pressure grew from its rivals to oppose additional government support.

The losses in its 1994 full-year results will be unveiled over the next few days, but are expected to be about FF10bn (£1.2bn), considerably higher than the losses of FF6.9bn reported by the bank in 1993 and which its chief executive had said would not be exceeded in 1994.

Details of the size of the loss emerged as the head of one of Credit Lyonnais' leading rivals in the private sector confirmed that he had expressed concerns to the European Commission about a second proposed government rescue package for the bank now being finalised.

Mr Mark Vienot, head of Société Générale, one of

France's largest banks, said he had written to Brussels with "observations" on the second package, which he has recently discussed with Mr Edmond Alphandery, the French minister of economics.

Mr Vienot said yesterday that the rescue package "risked creating an unacceptable distortion of competition between French banks".

Mr Karel Van Miert, the competition commissioner, has already announced that he is recommending a formal Commission inquiry into past and future state rescues of the bank. He is meeting Mr Alphandery in Brussels today.

Mr Vienot has been increasingly outspoken about the nature of additional state help unless Credit Lyonnais substantially accelerates asset sales and restructuring. Mr Michel Pébereau, head of Banque Nationale de Paris, another leading rival, has also expressed concerns to Mr Alphandery.

The new French government plan is expected to involve guarantees from the state for more than FF100bn in assets (including loans) held by Credit Lyonnais, which will be held off. It is unlikely to include any direct cash injection. However, it comes on top of a first rescue of FF23.3bn last year, which involved guarantees to a specially created corporate vehicle containing bad loans and a capital injection. If the assets of the vehicle were realised, they would already exceed the size of these earlier guarantees.

The statement that full-year results for 1994 would not exceed those of 1993 was given by Mr Jean Peyrelevade, the chairman appointed by the state to save Credit Lyonnais, shortly after the bank unveiled losses of FF10.5bn for the first half of 1994. It now appears that the restructuring of the bank's balance sheet, additional provisions and losses on loans will cause this figure to be considerably exceeded.

Now market stalks Stalin's coal mines

John Thornhill on the uncertain future of a Russian industry with a very political past and present

Mr Vladimir Berestov, a rough-hewn 38-year-old coal miner, points towards a monument of a woman grieving over a cemetery of 2,000 graves. "This is what happened when the miners went on strike in 1993," he says. "They shot them all. Every mine here has its own burial ground."

The coal-mining town of Vorkuta in the Arctic wastes of northern Russia is used to hardship. The first coal mine was sunk in 1934 by political prisoners who had fallen foul of Stalin's regime. Thousands died as the mining region was developed. As Mr Alexander Stepanov, the chairman of the local coal-mining association, explains, "Vorkuta was built on the bones of the Gulag."

But while its inhabitants may have endured the extremes of the Arctic climate and the terrors of Stalin, talk of fresh troubles now fills the air. Many of the miners have not been paid since November, sparking mass protests and a one-day "warning strike" earlier this month. Miners claim there has been a sharp fall in safety standards with three miners being killed in the region in the past two months.

Trade union leaders are calling for an indefinite strike to begin tomorrow. And the chilling realisation is gnawing away at the town's 300,000 residents that they now confront a more formidable enemy than any faced in the past: the market.

The World Bank recently made a series of recommendations about how Russia's coal industry could be restructured.

Its conclusions make grim reading for Vorkuta's miners and dozens of other communities in Russia dependent on producing coal.

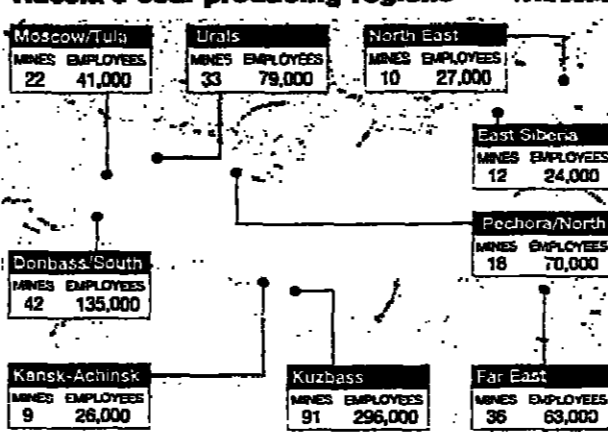
The bank says the industry is in a "catastrophic" state. In Soviet times, mines were sunk with no regard to the costs of extraction or transportation. Massive subsidies - equivalent to 1.2 per cent of gross domestic product - are now needed to keep the industry alive. But these subsidies are themselves counter-productive maintaining excessive production levels which undermine the profitability of Russia's low-cost mines.

The "viable core" of the Russian coal industry is about two-thirds its current size, the report suggests, with the market capable of sustaining no more than half Russia's 900,000 miners. In the harsh and remote Pechora basin, which includes Vorkuta, the number of pits should be cut from 18 to less than seven. The number of miners should fall from 70,400 to between 21,000 and 32,000.

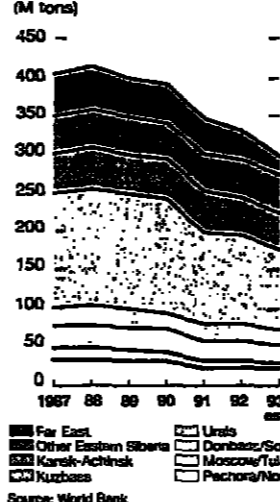
But such contraction would lead to massive upheaval which must be softened through the creation of an effective social safety net, the bank argues. Subsidies used to fund inefficient production should be switched towards supporting early retirement programmes and retraining miners. The bank promises it would disburse \$500m to bolster such programmes.

The government, through a coal commission which includes ministers, academics, industry leaders, and trade

Russia's coal producing regions



Russian production



Source: World Bank

Productivity compared

	Underground mines	Surface mines
US	23.70	49.40
Australia	18.10	36.30
South Africa	7.70	na
UK	6.34	9.06
Germany	5.22	-
Russia	1.95	11.13
Poland	1.95	-
China	1.33	5.00
India	0.54	3.34

Labour force figures for countries like China & India include workers with social functions that are not found elsewhere.

1991 Production workers only, assuming 210 shifts/year

Raw coal

union representatives, is already considering how to restructure the industry and is digesting the bank's recommendations.

The political sensitivities are extraordinary. Unrest among the coal miners in 1989 and 1991 was instrumental in undermining Mr Mikhail Gorb-

achev and thus easing Mr Boris Yeltsin into power. As Vorkuta's miners say, "we put Mr Yeltsin into power and we can remove him".

The radicalism of the bank's proposals at first sparked fierce criticism from Rosugol, the state coal company which runs the industry, and both official and independent trade unions.

"For 70 years, the planning of the Russian economy has been based on utopian schemes which were a product of the morbid imagination of its leaders," ran one official union response. "Russia has only just begun getting rid of ideological dogmas. What people need now is not the market bolshevism of the World Bank but rather a well-conceived programme for the coal mining industry that rests upon the reality of Russia's economic and social environment."

In such a highly-charged atmosphere it will be difficult to muster sufficient political will to push through such comprehensive restructuring in the five years envisaged by the bank. Nevertheless, in Vorkuta, at least, the acceptance of the realities of economic gravity seems to be slowly spreading.

Already the mining town of Kholmuk-Yu, to the north of Vorkuta, is being shut down with 5,000 people being relocated. Mr Stepanov, of the local coal association, accepts that another four mines should close with more money being invested in modernising the region's five most efficient pits. Mr Nikolai Mykhno, Vorkuta's deputy mayor, also con-

cedes it makes little sense for Vorkuta to keep farms and a sewing factory in operation and suggests that at least part of the population should be relocated. "The 30,000 pensioners who live here deserve a better life," he says.

But Mr Mykhno argues it is important to save Vorkuta not just for its inhabitants but for the workers in other towns, such as Lipetsk and Cherepovets, which are dependent on the region's coal to fuel their steel plants. Mr Mykhno says Vorkuta can reduce its own dependence on coal by increasing the development of other mineral resources in the region.

All agree that the coal mining industry must change - however fast and however deep the restructuring turns out to be. Mr Stepanov describes the government's current financial dilemma as like that of a "squirrel on a treadmill": although it is running fast it is going nowhere. The government cannot improve the industry's position and pay the miners because it has no money. But people do not want to pay taxes to the government because it does nothing to improve their lives.

"Winston Churchill once said it was impossible to cross a chasm in two leaps. We are trying to take several," says Mr Stepanov. "Our people would like to have the benefits of capitalism without losing the certainties of socialism."

The development of an effective market in Russia's coal industry will first depend on a piece of massive social re-engineering.

Hungary's financial moves prompt resignations

By Virginia Marsh in Budapest

Mr Gyula Horn, the Hungarian prime minister, yesterday failed to persuade two ministers to stay in the cabinet following the government's decision on Sunday to make radical spending cuts and to devalue the forint by 8 per cent.

Government officials said two senior Socialists, Mr Pal Kovacs, welfare minister, and Mr Bela Katona, minister for national security affairs,

were resigning as they had not agreed with the cuts which aim to reduce this year's budget deficit by FF170bn (£255m) and bring down the country's huge current account deficit from a record \$3.9bn in 1994.

However western investors and the local business community welcomed the measures which were proposed by Mr Lajos Bokros, finance minister, and Mr Gyorgy Suranyi, central bank governor, two prominent reformers who took office on March 1. Investor

confidence has been badly shaken by the cancellation of a high-profile privatisation deal in January, and the subsequent resignation of Mr László Bokros, the pro-reform finance minister.

The Budapest Stock Exchange index rose by 46 points, or 3.8 per cent, to close at 1,266, its highest level this year. The forint, which closed at 112 to the dollar on Friday, fell to 120 following the devaluation - the largest since January 1991 -

which became effective yesterday.

However, leading trade unions close to the Socialist party said they strongly opposed cuts in social spending and limits on public sector pay. They also criticised the government for failing to discuss the largely unexpected measures with the unions beforehand.

Under the government's proposals, family child allowances will be cut-back, public sector pay rises limited, university tuition fees introduced

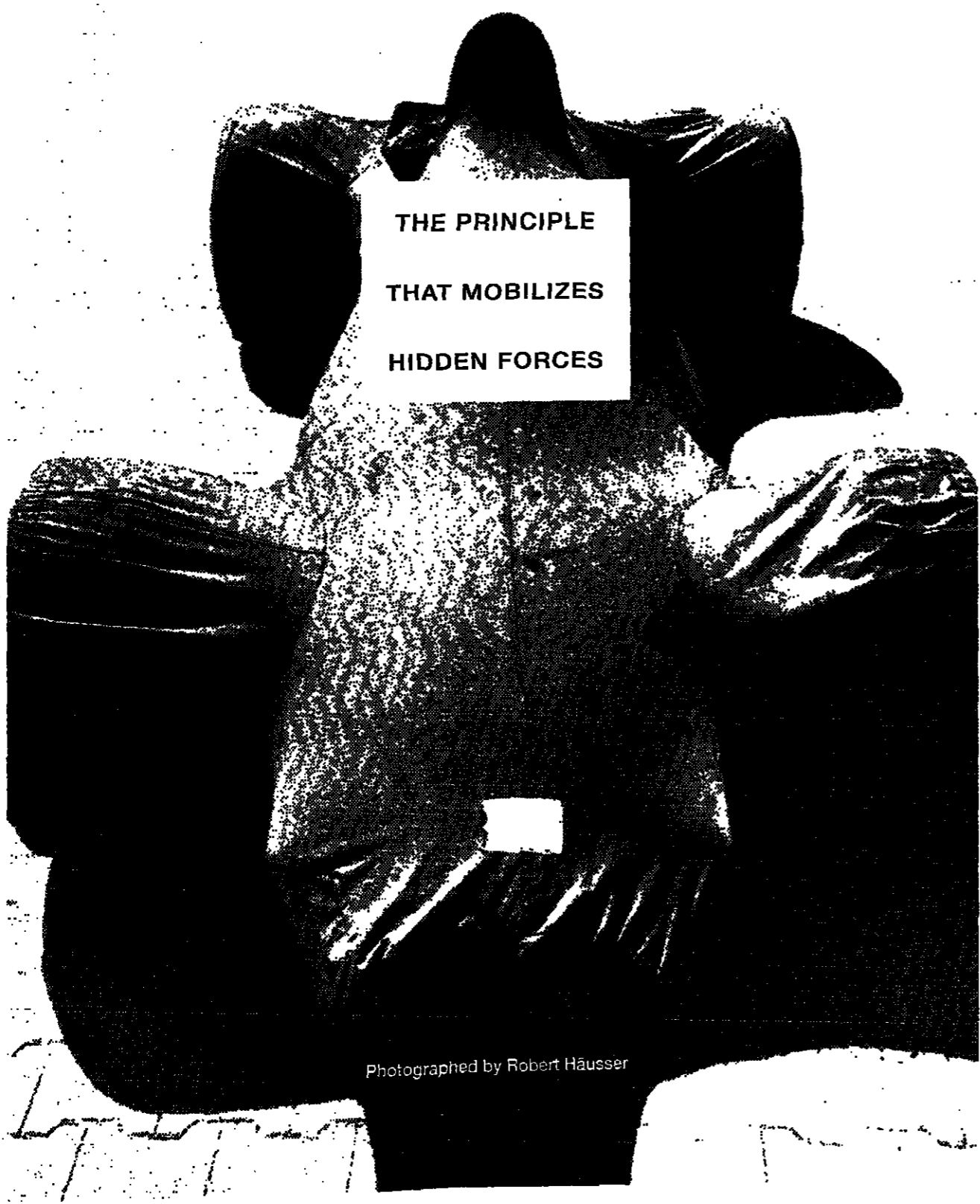
and public administration restructured with many civil servants and higher education teachers expected to lose their jobs.

The devaluation and the imposition of an extra 8 per cent customs duty on all imports except capital equipment and energy, were designed to boost exports and cut imports, Mr Bokros said. The devaluation decision follows weeks of speculation against the currency and complaints from business that it was overvalued.

TALK TO DG BANK ABOUT BUSINESS OPPORTUNITIES IN GERMANY.

■ If you want to stay ahead in future, now is the time to acquire a competitive power base. DG BANK can guide, provide expertise and demonstrate the many advantages of Germany as a business location. ■ Entrepreneurs and managers who think on their feet will find Germany a location with outstanding prospects. An investment in united Germany gives you a stake in the European Single Market while creating opportunities in the fast-developing economies of central and eastern Europe. So the traditionally close ties between Germany and its eastern European trading partners assure you a pole position. ■ With DG BANK as your partner, you'll profit from our experience and active involvement in the key markets of eastern and western Europe. And we'll pass on to you the local know-how essential to open the right doors to new markets. ■ When business people talk to DG BANK about new opportunities, they discover that DG BANK operates on a principle that makes each customer a partner in a special way. We call it the WIR PRINZIP, to which DG BANK and its staff are wholeheartedly committed. The WIR PRINZIP is rooted in the classic tradition of the cooperative system, which links business partners as equals. And it has a great future ahead. Because it exemplifies the central idea of partnership: that mutual cooperation leads to mutual success. As a DG BANK customer you'll participate in this business culture and share in our demand-driven service quality.

THE WIR PRINZIP



Photographed by Robert Häusser

DG BANK

Head office: DG BANK, Am Platz der Republik, D-60325 Frankfurt am Main. Offices in: Amsterdam, Atlanta, Hong Kong, London, Luxembourg, Madrid, Milan, Moscow, New York, Paris, Rio de Janeiro, Tokyo, Zurich.

NEWS: INTERNATIONAL

US lifts hopes for progress on Syria

By Julian O'Connell in Jerusalem

US Secretary of State Warren Christopher yesterday said his five hours of talks with Syrian President Hafez al-Assad in Damascus had been "very good", raising the prospect of progress in the stalled Israeli-Syrian peace process.

Mr Christopher will return to Damascus today to report to Mr Assad after having visited Jordan and held further talks with Israeli prime minister Yitzhak Rabin in Jerusalem.

"During the last several days I had intensive discussion with both prime minister Rabin and president Assad. I can tell you that they are once again engaged in serious discussions and I am looking for ways to make progress," Mr Christopher said.

Mr Christopher's shuttle diplomacy overshadowed the visit to Israel by British prime minister John Major, accompanied by some of the UK's most powerful businessmen. Mr Major yesterday firmly ruled out any independent diplomatic initiative on the part of Britain to help push the peace process forward and said Europe should only assist the parties with financial aid.

The announcement prompted speculation in Israel of progress, in spite of the pessimism in Syria's state-run press which yesterday poured cold water on the idea of direct Syrian-Israeli peace talks.

Israel has pinned hopes of a breakthrough on resuming talks between the Syrian and Israeli chiefs-of-staff in Washington over possible security arrangements, a prerequisite for withdrawal from the occupied Golan heights. Israeli officials said if the two sides could thrash out a concept of security including demilitarisation, early warning systems and the timetable of withdrawal, a peace agreement would quickly fall into place.

Mr Shimon Peres, Israeli foreign minister, said Israel had given Mr Christopher a list of new proposals to take to Damascus to seek a resumption of peace talks.

Iraq drills for diplomatic support

Robert Corzine on the logic behind Baghdad's offers to foreign oil companies

The occasional whiff of oil in the air over Baghdad at the weekend reassured the 200 or so international oil executives who made the long overland journey to the Iraqi capital to hear the government's new petroleum policy.

"It smells like money," said one. He and his colleague were not disappointed. Iraqi officials announced that once sanctions were lifted they intended to reverse two decades of nationalisation and open some of the world's biggest oil fields to foreign investment.

A procession of ageing General Motors suburban taxis carrying the executives arrived from Amman last Friday after travelling for more than 12 hours across Jordan and Iraq's western desert.

On arrival at the Al Rasheed Hotel they dutifully tramped over the floor mosaic depicting a snarling President George Bush, a former oil man whose dealings with the Iraqis the delegates were quick to distance themselves from.

Once inside the hotel one pastime among delegates was trying to spot an executive from a leading US or British oil company. No one did.

But representatives from Elf Aquitaine, Total and Gaz de France were there, as were executives from other leading

continental European companies such as Agip of Italy and Repsol of Spain. Officials from Deminor, Germany's biggest oil exploration and production company, also attended, as did Neste of Finland, Ranger Oil of Canada, Petrobras of Brazil and Ireland's Aran Energy.

The UN Security Council was set last night to leave sanctions against Iraq in place in spite of a week-long lobbying campaign by Mr Tariq Aziz, Iraq's deputy prime minister, for an easing of the embargo, writes Michael Littlejohns.

The US undermined Iraq's case by demonstrating to council members that president Saddam Hussein had rebuilt factories capable of producing chemical weapons or missiles. Eviding Iraq of its weapons of mass destruction is the principal aim of the sanctions.

Ms Madeleine Albright, the US delegate, also offered evidence that in spite of his claim that innocent Iraqi civilians were suffering under

the embargo, Mr Saddam still had managed to erect a new palace eight times the size of the White House as well as a sports centre for his family at a cost of millions of dollars.

Mr Rolf Ekeus, chairman of the UN commission set up to ensure the elimination of Iraqi arsenals, is due to report in April on an international monitoring programme that then will have been in place for six months.

Assuming he is able to provide evidence of substantial Iraqi compliance, that could be the cue for Russia and France to mount new pressure for lifting the sanctions. France has established a mission in Baghdad and is eager to resume trading with Iraq. Russia is owed several billion dollars by the Iraqi government.

intended to move quickly to "regain lost markets". It also wanted to more than double its present production capacity of 2.6m barrels a day, a process which could cost \$25m over five to eight years.

Given the country's dire economic circumstances there is little alternative but to invite foreign oil companies in, said western executives.

The details and advanced state of the talks under way with Total, Elf and others also suggest that Baghdad is serious. Although the all-important fiscal regime had yet to be set for investors, Mr Jawad said production levels and development schedule had already been agreed for some of the biggest deals.

But it was unlikely that the executives who boarded their taxis yesterday morning for the long trip back to Jordan took any signed contracts with them. As one departing oil man said: "It will be politics not economic logic" that dictates whether Iraq will become the focal point of the international oil industry in the Middle East.

Others were less willing to muse on the wider implications of Iraq's latest move. They merely wanted to get one last snapshot of themselves standing on the mosaic of George Bush's face.

At the same time there is a compelling economic logic for Iraq to open its oil sector. On Sunday petroleum ministry officials said that when the embargo was lifted, Iraq

Asian companies included Mitsubishi Oil of Japan, Samsung and Hyundai of South Korea and Taiwan's CPC.

Mr Anthony Buckingham of Heritage Oil, the only UK oil company to attend, said Britain was "in danger of being left behind" if Iraq implemented its new policy.

That view was echoed by other delegates who said those companies that showed early interest in Iraq would be likely to receive preferential treatment.

unrepentant about opening negotiations with Baghdad. It was legal, said one senior French executive, "as long as we do not execute any contracts before the embargo is lifted".

But does Iraq really intend to offer the international oil industry what some observers say is a "once in a generation opportunity"? Or is it merely holding out the prospect of lucrative, multi-billion dollar deals as a way to pressure western countries to support a

to oppose the headline US stance on sanctions. Elf and Total, for example, deny any connection between their plans to develop two "super-giant" fields in southern Iraq and the French government's apparent willingness to lift or relax sanctions as early as next month.

At the same time there is a compelling economic logic for Iraq to open its oil sector. On Sunday petroleum ministry officials said that when the embargo was lifted, Iraq

Insurers find sharp rise in cost of disasters

By Ralph Atkins, Insurance Correspondent

Big natural disasters are costing the world's insurance companies 14 times as much in real terms as in the 1960s - as well as causing far higher economic damage, according to figures by Munich Re, the world's largest reinsurer company.

The increased concentration of economic value - including property and business - in catastrophe-prone regions of the world is largely to blame for the sharp increases, Munich Re said. The group also fears that climatic change is having an impact.

Its figures show 1994 as another bad year for exceptional catastrophes, with the Northridge earthquake in Los Angeles making it one of the worst on record in terms of total economic losses

and the second highest for insured losses.

But the economic cost this year of large natural catastrophes is expected to be easily the worst on record following January's Kobe earthquake and recent floods in Europe. The "great Hanshin" quake which killed 5,380 people is estimated to have cost more than \$100bn (£158.14bn) in economic losses and \$3bn in insured losses compared with \$30bn and \$10.4bn respectively for the Los Angeles quake.

Munich Re, which provides insurance to conventional insurance companies against large losses, reckons that in the 10 years to 1994, the number of major natural disasters rose to a level four times higher than in the 1960s. After taking account of inflation, economic losses were six times as high and insured

losses were 14 times higher.

Last year's 580 natural catastrophes were concentrated in Asia which recorded the largest number of disasters and fatalities. About a third of the catastrophes Munich Re recorded were floods, which accounted for about half of deaths.

But about half of the \$65bn overall cost of the natural catastrophes was caused by earthquakes. Insured losses of \$15bn were concentrated in the Americas, reflecting the far higher propensity to buy insurance in the US than in Asia.

The sharp increase in natural catastrophes has prompted Mr Wolf Otto Bauer, a member of Munich Re's management board, to warn that the private insurance industry cannot be expected to provide cover for loss and damage caused by natural forces if

they regularly affect the same region. He called for a greater "risk partnership" between policyholders, insurers and reinsurers as well as governments.

Mr Gerhard Berz, head of Munich Re's geoscientific research group, said the speed of global warming was a problem that had to be addressed at the Berlin climate summit at the end of this month. He said the growing number and intensity of windstorms, thunderstorms and floods were attributable to the rapid increase in air and sea temperatures.

However, the increased cost of natural catastrophes is not leading to higher premium rates this year. Market observers say rates for domestic and insurance property insurance have fallen in recent months - largely because of increases in the underwriting capacity of the world's insurers.

INTERNATIONAL NEWS DIGEST

Strong debut for unified rand

The South African rand performed strongly on its first day of trading as a unitary currency yesterday, closing in Johannesburg at just under R3.62 to the dollar, well up on the financial rand's closing price on Friday of R3.72. "We were pretty nervous beforehand, but the market seems to have handled the whole thing pretty well," observed one trader.

Analysts had feared large-scale speculative outflows by foreign investors yesterday following the government's decision to scrap the financial rand after close of trading last Friday. The financial rand was a special investment currency available only to foreigners and designed to protect South Africa's foreign reserves against politically inspired capital withdrawals.

Its demise has long been seen as a prerequisite for longer term foreign investment in South Africa, but worries about international investor confidence, particularly given current turmoil in global currency markets, had discouraged financial authorities from getting rid of the currency. Strict restrictions on residents taking money out of the country remain in place.

Mark Suzman, Johannesburg

Nigerian ex-president held



Mr Olusegun Obasanjo (pictured left), a former military head of state, has become the second retired general and leading civilian politician to be arrested in four days as Nigeria's army rounds up from serving military personnel to their former commanding officers. The hard line by Gen Sani Abacha's regime since confirming last week that they had foiled a coup plot increases the power of the military intelligence service and is likely to extend the ban on civilian politics in Nigeria. Mr Obasanjo, an outspoken critic of the military regime, was president from 1976 to 1979 when he became the only army ruler in Nigeria to hand over to elected civilian government. He was picked up after his return from the UN-hosted conference in Copenhagen by security officers for "political reasons", according to his staff. Last week Mr Shehu Yar'Adua, Mr Obasanjo's former number two, was arrested.

Paul Adams, Lagos

OECD discusses corruption

The Organisation of Economic Co-operation and Development yesterday began a two day conference in Paris to discuss the problem of world public sector corruption. It was attended by non-member states in the third world and eastern Europe as well as the industrialised member states.

The symposium follows a meeting last May at which member countries approved a series of recommendations designed to tackle bribery in international business transactions. The focus is on co-operation across borders and a partnership between the developed and developing world to beat corruption. Mr Oscar Arias Sanchez, the former president of Costa Rica, said yesterday that "the cancer of corruption" flourished "in the obscurity of totalitarianism, authoritarianism and dictatorship. It is best exposed, and best attacked, in a democracy". But he also criticised the "double standards" of Western societies. Andrew Jack, Paris

Degussa 1993/94: Lower Costs, higher Profits!

The successful implementation of cost reduction programs, together with an economic recovery, resulted in a significant increase in earnings for the fiscal year 1993/94.

Considerable Improvement in Earnings

Group earnings before income taxes increased by 63% to DM 280 million and Group net income after taxes rose by 44% to DM 174 million. All Sectors contributed to this improvement. Degussa AG's pre-tax income increased to

DM 99 million, from DM 32 million in the previous year. Due to tax-free foreign income and the tax-loss carry forwards which resulted from the sale of Leybold in the prior year, Degussa AG does not have to pay any domestic income taxes this year.

Dividend Increased by DM 3 to DM 10

The dividend will be increased from DM 7 to DM 10. Since the dividend will be paid from EK₀₁ (foreign income), there will be no tax credit associated with the dividend.

Costs Significantly Reduced

We systematically followed through with the measures we had implemented to increase profits. By emphasizing our core business areas we have further strengthened our market positions. We continue to carefully monitor personnel and other costs. The cost reduction measures which we implemented in the past will, for the most part, be completed in 1994/95.

The total savings resulting from these measures will be about DM 500 million per annum.

Degussa Taking Advantage of Market Opportunities

Investment in property, plant and equipment amounted to DM 462 million and was lower than the DM 498 million invested in the previous year

which still included investments at Leybold. As a result of new investment opportunities, both capital and financial investments will increase in the coming years.

Degussa Group Consolidated Balance Sheet on September 30, 1994 (Not a disclosure under Articles 326 and 328 of the Commercial Code)			
Assets	DM millions	Equity & Liabilities	DM millions
Property, plant & equipment	2,534	Issued capital	429
Investments	844	Revenue reserves & profit available for distribution	1,455
Non-current assets	3,378	Shareholders' equity	1,884
Inventories	1,304	Provisions	1,920
Liquid assets & receivables	2,609	Long-term liabilities	1,378
Current assets	3,913	Short-term liabilities	2,109
Total assets	7,291	Total equity & liabilities	7,291

Equity Ratio Improved

The Group's equity ratio increased from 23.7% to 25.8%. Cash flow improved by 29% to DM 885 million.

Number of Employees Reduced Again

On September 30, 1994 the Group employed 27,202 people. This was a 15% decrease compared to a year ago. After adjusting

for changes in the group of companies included in the consolidation, the reduction is 3%.

Securing the Future Through R & D

Investment in research and development secures our future. We therefore increased Group R & D spending from DM 401 million to DM 407 million. Almost 50% of this is attributable to the Chemicals Sector. Worldwide, 2,359 employees were involved in R & D

activities during the year.

Good Start in 1994/95

Following a good start in the 1994/95 fiscal year, we expect the

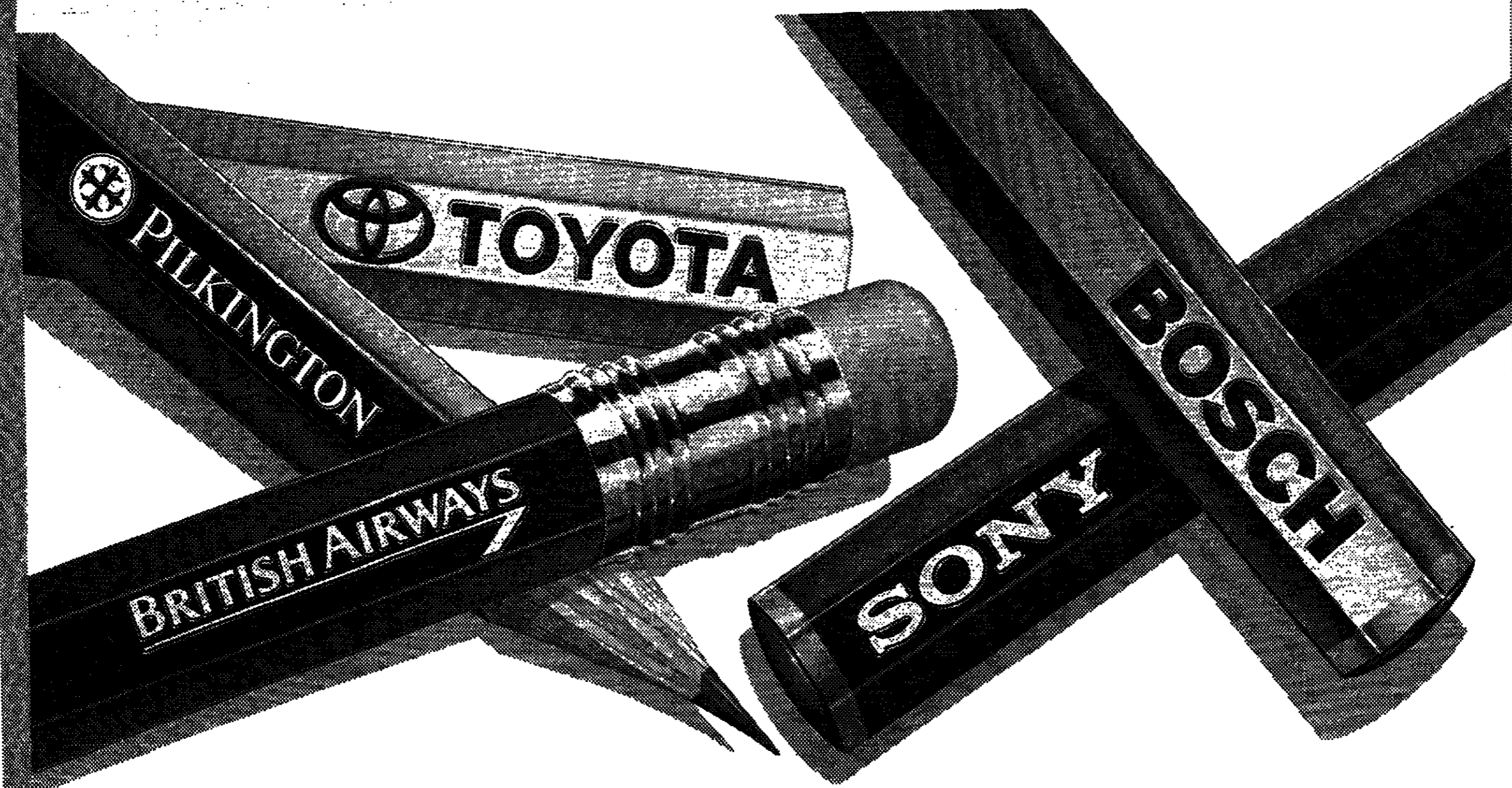
favorable earnings situation to continue.

Frankfurt am Main
March 1995
Degussa Aktiengesellschaft
The Executive Board

DOWN TO EARTH SOLUTIONS
Degussa

Handwritten signature: J. M. 1.50

SO MANY COMPANIES FIND WALES HAS SUCCESS WRITTEN ALL OVER IT.



The same thing seems to happen to companies who move to Wales.

They grow.

Multinationals like Sony, Pilkington, British Airways, Bosch, Toyota and a host of smaller companies are all now bigger companies.

It happens for a combination of reasons.

The development opportunities in Wales, the first class communications, the skilled, adaptable workforce, and the advice and assistance of the



THE WELSH ADVANTAGE.

Welsh Development Agency.

Move to Wales and we'll do everything to help your company grow.

To find out how we can help your business grow in Wales, post or fax your business card to us on +44 1222 345615 at the International Division, Welsh Development Agency, Pearl House, Greyfriars Road, Cardiff, CF1 3XX, UK.

Alternatively you can telephone our Customer Services Team on +44 1222 828820.

NEWS: THE AMERICAS

Sombre Zedillo takes stock of first 100 days

By Leslie Crawford in Mexico City

President Ernesto Zedillo marked his first 100 days in office with a sombre speech, promising Mexicans nothing but blood, sweat and tears while the country digs itself out of the worst financial crisis of the past 12 years.

The media-shy president, who was forced to devalue the peso less than three weeks after he took office, said on Sunday that austerity measures announced last week would be "tough, painful, but transitory". He forecast the economy would begin to recover towards the end of the year.

In return for the sacrifices being demanded, he promised to stamp out corruption and waste in the public sector and to ensure the rule of law was established in Mexico. "I will not rest until those responsible for the assassinations of leading figures are brought to justice," he said. "No one, absolutely no one, should be above the law."

Mr Zedillo was referring to the murders last year of Mr Luis Donaldo Colosio, the ruling Institutional Revolutionary party's presidential candidate, and Mr José Francisco Ruiz Massieu, the party's secretary-general.

The president's popularity, which plummeted with the peso, has recovered considerably because of his determination to unravel both crimes and his decision to arrest Mr Raúl Salinas, elder brother of former president Carlos Salinas, on charges of masterminding Mr Ruiz Massieu's assassination.

As the president spoke, Mr Carlos Salinas and his family were boarding a private jet to an unknown destination in the US. Newspapers speculated he was being sent into "exile" for having broken the rule of silence that governs Mexican presidential successions to defend his administration's economic policies and his own innocence in connection with the assassinations.

Mr Guillermo Ortiz, finance minister,

is also travelling to the US this week to explain his economic shock programme to sceptical foreign investors. In Mexico, however, his trip has reinforced the widely held perception that the country's economic policies are being dictated from abroad.

Following a brief rally on Friday, both the peso and the Mexican stock exchange weakened yesterday as investors began to digest the full impact of Mr Ortiz's austerity measures: a 10 per cent cut in public spending, tax and tariff increases, a recession, and an inflation target of 42 per cent for the year. Mr Santiago Onate, labour minister, forecast 500,000 jobs would be lost in the next three months, while Mr Miguel Mancera, governor of the central bank, warned interest rates would remain high for the rest of the year.

The peso was trading at 6.445 to the dollar at midday, 2.5 per cent lower than Friday's close, while the stock exchange was down 1.36 per cent.



Ernesto Zedillo: demanded sacrifices

California cool on Wilson as president

By Jurek Martin, US Editor, in Washington

Only 29 per cent of Californians want Governor Pete Wilson to forsake the state and run for the Republican presidential nomination according to a poll released yesterday by the Los Angeles Times.

The survey also found that President Bill Clinton would be ahead of Mr Wilson by 51 per cent to 42 per cent among state voters. The governor was only the third choice among Republican candidates, with his 6 per cent well behind Senator Robert Dole (27 per cent) and Senator Phil Gramm (19 per cent).

Mr Wilson is still undecided about seeking the nomination but has taken several steps normally associated with a candidacy.

These include the opening of a campaign bank account and extensive consultation with Republican political experts, among them Mr Stuart Spencer, who worked closely with former President Ronald Reagan.

Equally significant is his sponsorship of two initiatives he would like to see on the California ballot next year. The first, supported by two thirds of those polled, would reverse years of affirmative action by prohibiting the use of race or gender factors in employment and academia.

The second, on which opinion is equally divided in the poll, proposes to change the clause in the state constitution whereby the lieutenant governor automatically fills the unexpired portion of a governor's term.

The current lieutenant governor is Mr Gray Davis, a Democrat.

The affirmative action initiative, like last year's proposition denying social and educational services to illegal immigrants, is popular among conservatives who have long held Mr Wilson in some suspicion. He is a believer in abortion rights and, in 1992, fought the state's budget problems with a tax increase, much to the right's chagrin.

But, with California's economy now recovering, he has proposed a 13 per cent tax cut and is trying to roll back federal regulation. His refusal to implement the "motor voter" electoral registry law is now in the courts, along with the anti-immigrant initiative.

However, these moves to the right appear to have alienated Republican moderates and solidified opposition to him among Democrats. His indifferent showing against Mr Clinton also reflects the fact that the president is more popular in California than in most parts of the country. Still, Mr Dole held a slim lead over Mr Clinton (48-45 per cent) in the state.

The poll was by no means all bad news for Mr Wilson; his approval rating was back up to 47 per cent, its highest in nearly four years.

Bank under siege awaits white knight

George Graham on challenges for the next World Bank chief

The World Bank has taken on the air of an institution under siege in recent years, assailed from all sides for its record and policies.

While environmentalists attacked it for lending to big and sometimes damaging infrastructure projects, such as the Narmada dam in India, third world lobbying groups complained that its structural adjustment policies were creating hardship in the African nations that took its advice. Industrialised countries, meanwhile, criticised the Bank's generous pay scales and perks, and argued it was not doing enough to promote private sector development.

With the nomination at the weekend of Mr James Wolfensohn to be the institution's next president, World Bank staff are wondering - without excessively high hopes - whether this investment banker who fenced in the Olympics and played the cello with the New York Philharmonic can lift the siege.

Managing the World Bank has proved to be a difficult challenge for most recent presidents. Not since Mr Robert McNamara (1964-1981) who was the last president to serve more than a single five-year term and who wanted Mr Wolfensohn to follow him - has a president truly succeeded in imposing his vision on the institution.

The Bank has a strong internal culture, built partly on its unusual relationship with its clients. As pointed out by Mr Moses Naim, a former finance minister of Venezuela and Bank executive director, staff know that their promotion prospects usually depend more on their internal reputation than on the opinions of anyone outside the organisation, including borrower governments.

Although every new president reshuffles the boxes in the Bank's organisational chart, Mr Naim says, informal pyramidal clans owing allegiance to individual senior managers tend to reform soon after the reorganisation, so behaviour inside those boxes changes little.

Several Bank executive directors say Mr Lewis Preston, the current president, has begun to make progress in changing the corporate culture. But he is stepping down after only three and a half years because of illness.

In the absence of clear leadership from recent Bank presidents, the clan chiefs have taken over the job of defining the institution's mission.

"A distinction between corporate direction and operational management is presently - and has been for some time - missing. Instead, operational management filled the void and thereby defined strategic direction," says Mr Willi

Wapenhans, who was one of those clan heads but whose 1992 report on the Bank's portfolio management provoked a broad rethink of how the organisation works.

Mr Wolfensohn has read and is intrigued by Mr Wapenhans's report, which ascribed a steady deterioration in the quality of the loan projects in the World Bank's portfolio to an internal culture that tended to promote officers who made the most loans, rather than those whose loans performed best.

One of the critical evolutionary challenges facing the World Bank is its relationship to the private sector.

The Bank's articles require it to lend only to government institutions. That restriction posed few problems when its tasks were rebuilding Europe after the second world war or laying the first infrastructure foundations for the developing world.

Today, however, the Bank preaches the gospel of reliance on the private sector to its borrowers, but at the same time can only lend to their public sector.

The expansion of the International Finance Corporation, a World Bank affiliate which does lend to private businesses, has not resolved this contradiction. The serious money is still in the parent World Bank, which lent \$14.5bn (\$2.6bn) last year against the IFC's \$2.5bn.

The answer to the conundrum may lie in the use of the World Bank's power to guarantee projects, a power of which it is making cautious but growing use. Former senior officials of the organisation say it also lies in making sure the private sector mentality becomes more deeply ingrained in the corporate culture.

But the World Bank also faces a challenge in the heart of its development business; at the International Development Association, which makes cheap loans to the very poorest countries, mostly in sub-Saharan Africa.

The World Bank itself is now self-financing, funding new loans on the income it earns on its existing portfolio. Because of its heavy interest rate subsidy, however, IDA must pass the hat to donors every few years.

The Clinton administration is having a hard enough job persuading Congress to produce the final \$1.49bn of its contribution to the most recent replenishment of IDA, to which the US pledged 20.9 per cent of the total. Negotiations have already begun on the next round, and US Treasury officials have had to tell their counterparts that it must shrink if they are to have any chance of winning the funds from Congress.

OBITUARY: EDWARD BERNAYS

Disillusioned father of public relations

Edward Bernays, who died last week aged 103 at his home in Cambridge, Massachusetts, was widely credited with inventing public relations. He could not have imagined at the time that he had given birth to a profession that would attract such obloquy.

Today public relations is a multi-million dollar industry laying claim to respectability and stature, yet it still attracts suspicion from those who see its basic function as the manipulation of opinion. At its worst, it can attract ridicule, as in the British television series *Absolutely Fabulous*, now being screened in the US.

In his later years Bernays tried to

distance himself from what the profession had become. "Public relations today is horrible. Any dope, any nitwit, any idiot can call him or herself a public relations practitioner," he said in an interview four years ago.

Bernays, a nephew of Sigmund Freud, was born in Vienna in 1891. His parents came to the US a year later and settled in New York City, where Bernays became a journalist, press agent and publicity manager.

During the first world war he worked for the US government's Committee on Public Information. He started then to form his theories about "the engineering of consent".

After the war he set up a practice offering public relations advice to government, industry and individuals. In 1923 he published his seminal work - *Crystallising Public Relations* - defining the principles and practices of the new profession.

During his long career Bernays was an adviser to the famous, including Caruso, Nijinsky and Samuel Goldwyn, and his corporate clients included Procter & Gamble, General Electric and General Motors.

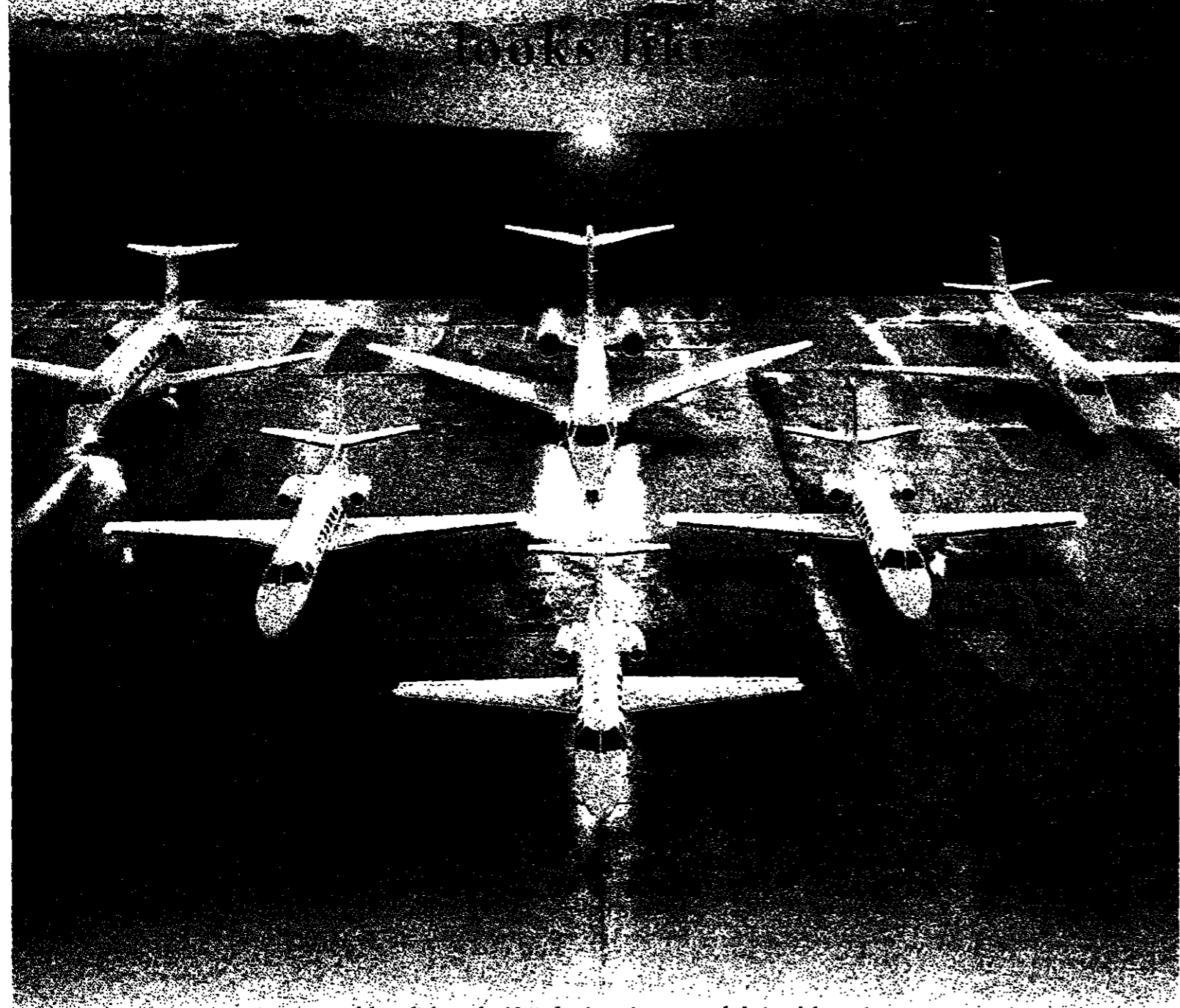
Bernays described public relations as an applied social science in which clients were advised how to inform, educate and persuade the public to accept

their products, services or ideas. He operated on the steadfast rule that public relations should be in the public interest.

It did not always turn out that way. In the 1920s, for example, Bernays was instrumental in breaking down the taboo against smoking by women in public when he arranged for women participants in New York's Easter parade to smoke Lucky Strike cigarettes made by his client, American Tobacco.

Later, when the hazards of smoking became more widely understood, Bernays became a public opponent of the habit.

When you're in the market
for a business jet,
this is what 65% of the market
looks like.



Nearly two out of three light and midsize business jets currently being delivered are Citations. Before you make a decision regarding your business aircraft, you owe it to your company, your shareholders and yourself to seriously consider the brand that world business leaders are choosing by a margin of more than two to one. For more information, contact Barrie Sampson, Cessna Aircraft Company, U.K. office: Suite 2.4, Doncastle House, Doncastle Road, Bracknell, Berkshire RG12 8PE. Tel: 0344 304 630. Fax: 0344 304 830.

THE SENSIBLE CITATIONS



A Textron Company

*Incorporated with limited liability in the state of Kansas, USA.

FINANCE EAST EUROPE

FINANCE EAST EUROPE reports twice-monthly on investment, finance and banking in the emerging market economies of Central and Eastern Europe and the European republics of the former Soviet Union.

As a subscriber to FINANCE EAST EUROPE you will be kept abreast of:

Privatisation and restructuring of the region's state enterprises into efficient, market-driven businesses, and the part played by Western advisers.

Investment in the region - by Western governments, the EBRD, IMF and the World Bank, as well as commercial banks.

New legislation and regulations affecting finance and investment in the area.

The development of domestic equities and debt markets in the countries concerned.

The development, often with Western participation, of a commercial banking sector.

To receive a FREE sample copy contact:

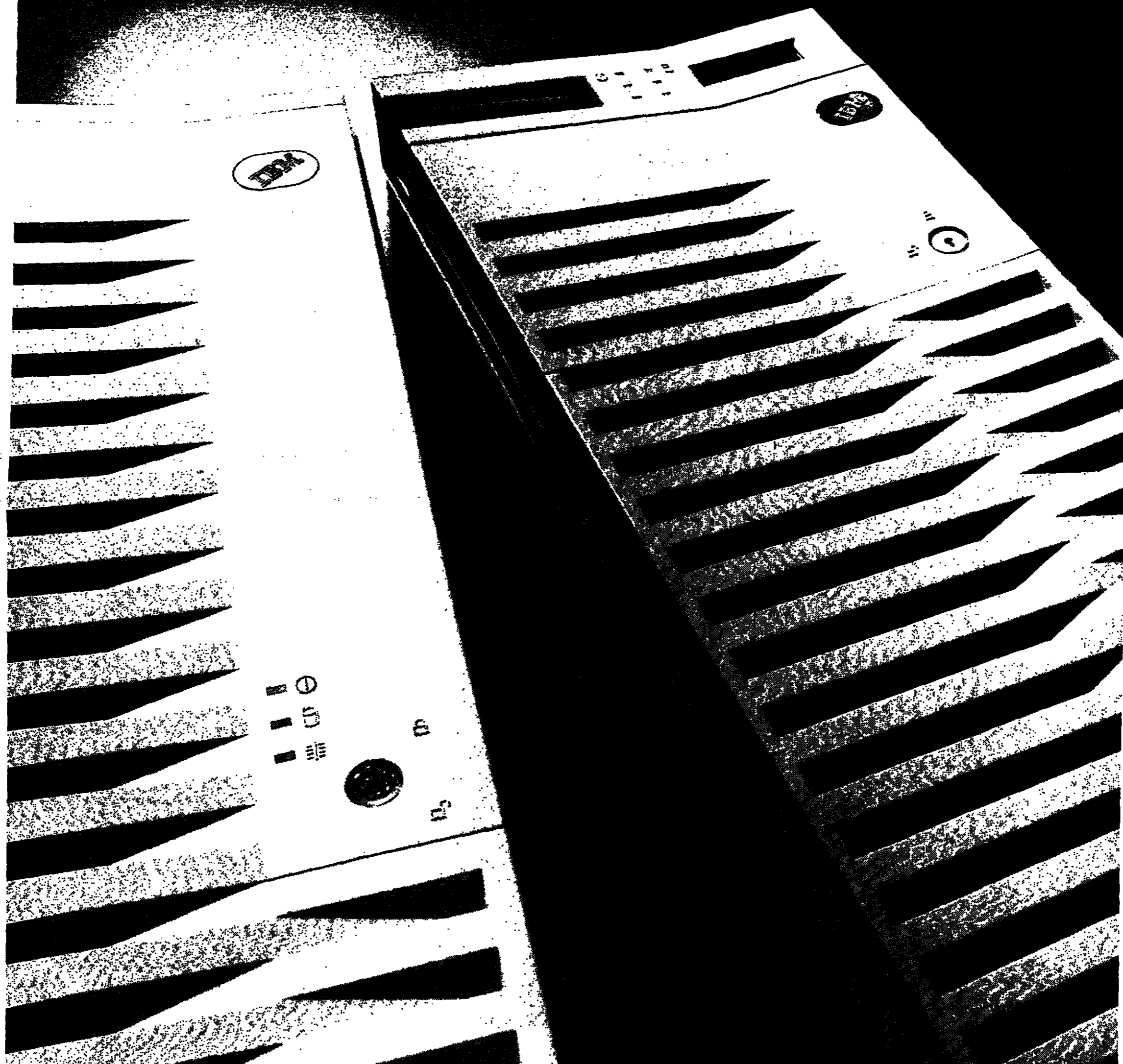
Catherine O'Keefe
Financial Times Financial Publishing
Maple House
149 Tottenham Court Road
London W1P 9LL
Tel: +44 (0) 171 896 2284
Fax: +44 (0) 171 896 2274

The information you provide will be held by us and may be used by other select quality companies for mailing list purposes.

Printed in Great Britain. Registered Office: Maple House, 149 Tottenham Court Road, London W1P 9LL, England. Registered No. 270124. VAT Registration No. GB 7963723.

Handwritten note: 150

Introducing the new line of IBM PC Servers.
They're the difference between running a network
and having a network run you.



When we asked people who manage networks what they wanted in PC Servers, just about everybody said the same thing: "Something to make life easier."

So here they are – the new line of IBM PC Servers. Everything about them – from hardware to software to service and support – makes running your network less troublesome.

Along with the IBM PC Server 300 for small LANs and the 500 for enterprise networks, we introduce the IBM PC Server 320, the cost-effective SMP Server with the capability to be upgraded to RAID and hotplug technology. We also introduce the PC Server 720, a superserver which offers a new dimension of system scalability, up to 40.5GB of disk storage and 2-6 Pentium processors.

Together they demonstrate our renewed commitment to providing a full range of server solutions, as well as a single-minded determination to make managing your network easier.

How? Well, first there's ServerGuide, our installation software on CD-ROM that streamlines setup and automatically fine-tunes the system for optimum performance. And then NetFinity, industry-leading software that manages both your PC Server and your PCs. And finally, Helpware, our 24-hours a day, 7 days a week helpline.

That's making life easier. All in all, the new IBM PC Servers are everything you thought to ask for. (Plus a few things you may not have thought possible.)

IBM PC Server 300: Intel Pentium 90MHz processor or Pentium 60MHz processor, 16MB primary memory, expandable to 32MB, 220MB hard drive, 8 slots, 9 bays, CD-ROM, ServerGuide, NetFinity, ServiceGuard, and 1000 models. Server warranty.

IBM PC Server 320: Intel Pentium 90MHz processor, multiprocessor enabled, 16MB primary memory, expandable to 32MB, EISA, on SMP optional, 220MB of 12.1 inch, 4.5 inch, 5.25 inch, 8 inch, 9 inch, standard CD-ROM, ServerGuide, NetFinity, ServiceGuard, and 1000 models. Server warranty.

IBM PC Server 500: Intel Pentium 90MHz processor, Micro Channel architecture, 16MB primary memory, expandable to 32MB, 220MB of 12.1 inch, 4.5 inch, 5.25 inch, 8 inch, 9 inch, standard CD-ROM, ServerGuide, NetFinity, ServiceGuard, and 1000 models. Server warranty.

IBM PC Server 720: Intel Pentium 100MHz processor, 2 processors, SMP, Micro Channel architecture, 16MB primary memory, expandable to 32MB, 412MB of 12.1 inch, standard 13.1 inch, SCSI-2 Fast and Wide, 7 Micro Channel architecture, 10 bays for hot-swappable drives, 1000 models, 1 or 7 available on same model. ServerGuide, NetFinity, ServiceGuard.

NEWS: ASIA-PACIFIC

Tokyo tries to defuse criticism of credit unions' rescue

Japan's finance ministry punishes six bureaucrats

By William Dawkins in Tokyo

The Japanese government yesterday punished six senior bureaucrats in an attempt to defuse criticism of the official rescue of two credit unions, which will be vital to the feasibility of any future bail-outs.

Mr Masayoshi Takemura, finance minister, reprimanded the men - who include Mr Jiro Saito, his ministry's most senior official - and demoted one of them. To add sincerity to the gesture, Mr Takemura said he would voluntarily return to the public purse 20 per cent, or ¥326,000 (£2,290), of his own ¥1.63m salary this month.

Politicians in government and opposition dismissed the penalties as too lenient.

This is the first such public penance by Japan's most powerful ministry in nearly two decades. It comes as a result of revelations by Mr Harumori Takahashi, former president of Tokyo Kyowa Credit Union, which is sus-

pected of flouting lending regulations. Mr Takahashi, a maverick property developer, has close bureaucratic and political connections.

Mr Takahashi told a parliamentary committee investigating the proposed rescue that one finance ministry official, Mr Hiroaki Taya, had accepted a free lift to Hong Kong on his private jet, and that he had entertained another at a luxurious Japanese restaurant.

The suspicion, denied on all sides, is that Mr Takahashi was cementing official ties, in expectation of public support for the credit unions. The two unions' estimated ¥150bn of bad debts include substantial loans to EIE International, a property company headed by Mr Takahashi.

Mr Taya, head of the Tokyo Customs House, a job from which it appears it would have been hard to influence banking policy, has been moved to the finance minister's secretariat, a holding pool for officials.

The finance ministry is hoping that yesterday's public relations exercise will restore the political chances of a rescue, seen as necessary to avoid the risk of panic by other weak banks' depositors.

The credit unions' bad debts are small by comparison with problems in the rest of the banking system. Yet this bail-out is seen in the ministry as a test case for possible public support for seven housing loan corporations, with combined bad debts of more than ¥6,000bn.

Officials argue that the stakes are so high that they will devise some form of a public rescue package for the credit unions, whatever the political embarrassment.

It is 16 years since the finance ministry last felt moved to atone in public. That was when nine senior officials were formally warned for accepting too lavish entertainment from state-owned Japan Railway Construction Public Corporation.



Masayoshi Takemura, Japan's finance minister, tells reporters details of his salary penalty and reprimands given to senior ministry bureaucrats

MoF bureaucrats seen as too big for their boots

Michio Nakamoto on the power of Japan's finance mandarins



Japan Agenda

All is not well these days in the halls of Japan's Ministry of Finance, guardian of the world's second largest economy: the ministry's mandarins, usually regarded as the elite of Japan's elite, have been tainted by scandal among their members: the top-ranking finance bureaucrat has been widely criticised as a shadow shogun exercising influence beyond his brief, and the ministry, the bastion of Japanese bureaucratic power, has been

bombarded by calls for reform. The scandal, related to the official rescue of two failed credit unions, has raised suspicions of corruption among the country's normally high-minded bureaucrats and triggered an outcry about the close relationship between finance ministry officials and members of the industries they are supposed to oversee.

It comes at a time when public criticism of the MoF has been growing louder. Hardly a day goes by without media reports of what is seen as its bureaucratic shenanigans aimed at securing more power for its members. "Things have never been so bad," concedes one MoF official.

Even beyond the country's shores the finance ministry has been the target of harsh criticism. The MoF's staunch resistance to financial deregulation and its insistence on tax rises to meet the needs of an ageing society are seen in the US as detrimental to Washington's hopes of opening Japanese markets further. Foreign Affairs, the influential US magazine, carried an article in its latest edition which credits the finance

ministry as "the source of the extraordinary will to win that westerners have long sensed lies behind Japan's relentless quest for economic expansion."

At home, public ire and suspicion have been fuelled by what is seen to be the finance ministry's dominance over crucial aspects of national policy which should rightly be determined by elected politicians.

"Everybody shakes with fear before the finance ministry," said Mr Yukio Noguchi, economics professor at Hitotsubashi University. "Nobody, including bureaucrats in the other ministries, politicians and journalists, dares criticise the MoF."

Throughout its modern history the MoF has always exerted power over fellow bureaucrats by dint of its budget-formulating authority. "In the end, the finance ministry only has to say that they don't have the funds. Faced with that statement, there is very little other ministries can do to stand up to the MoF," said one official at the Ministry of International Trade and Industry (MITI).

But recent upheavals in Japan's post-war political order have allowed the MoF to extend its influence in effect unchecked by politicians who are entrusted to reflect the public will.

The counterbalance against the MoF's influence which had always been posed by special interest politicians within the Liberal Democratic party collapsed when the LDP's 33-year run as the country's ruling party ended in 1993. Although back in power a year later as the leading force in a three-party coalition, the LDP no longer has the same kind of influence over the MoF as it used to in the

past", said a bureaucrat from another ministry.

Like Mr Mitui, which exercised its authority as the formulator of Japanese industrial policy, has seen its powers reduced by the declining role it has assumed in the country's domestic life.

The finance ministry's top bureaucrats, most of whom are graduates of Tokyo University's law department, are seen as particularly adept at getting whatever policy they set their goals on adopted by the country's political leaders.

While it is no secret in Japan that policy decisions announced by ministers are more often than not determined beforehand by the country's bureaucrats, the tenacity with which the MoF pursues its mission and its apparent ability eventually to get its way has prompted the common remark that it is really the MoF which runs Japan.

"Politicians all fall under the ministry's spell because what the MoF says is right. The more they listen to the arguments of the MoF, the more they come to see that what they are saying is right," contended one finance ministry official. This behind-the-scenes manipulation of politicians by bureaucrats was condoned so long as it was seen to serve the national interest.

But as the political, social and administrative systems which have supported Japan's rise to economic power have come under question amid the country's transition to a post-industrial economy, the bureaucrats' hold on power is no longer unquestioned as being in the national interest.

The conservative finance ministry

in particular has become a symbol of unhealthy bureaucratic meddling in the country's affairs and of stubborn resistance to change.

Far from facing up to the need for reducing bureaucratic red tape, the MoF is doing everything it can to hold on to power for power's sake, critics charge.

The recent failure to adopt a proposal, as part of the government's administrative reform programme, to merge the Export-Import Bank and the Japan Development Bank, both public institutions under the MoF's jurisdiction, has been blamed on MoF resistance and has provided the public with evidence of the ministry's determination not to relinquish any of its powers.

Many of the ministry's actions - a scheme to support stock prices, its insistence on setting exorbitant launch prices for privatisation issues to maximise revenue - are criticised for doing more damage than good to the smooth functioning of Japan's financial markets.

Even more worrying is that the MoF has seemed increasingly intent on forcing its will regardless of public opinion.

Last spring the sudden announcement late one night by Mr Morihiro Hosokawa, the prime minister, of a 7 per cent welfare tax to replace the 3 per cent consumption tax enraged the public which sensed the MoF's hand behind his move.

Inside the MoF's sombre building,

bureaucrats characteristically claim innocence and point an accusing finger at the politicians and their lack of leadership.

"When the politicians are incapable of making the necessary decisions, as now, they adopt our recommendations and we are seen to be powerful," said one official in the ministry's prestigious budget bureau.

Finance bureaucrats justify their paternalistic ways and their resistance to change as best suited to Japanese society, which they say prefers slow and orderly transition to dramatic upheavals. Secure in their views on managing the country's finances, they brush aside criticism as a temporary trend that will blow away in due course.

What the men at the MoF fail to grasp is that the public, which has so far meekly accepted the course laid down by the ministry, is increasingly disillusioned. The recent public outcry over the MoF's plans to rescue the two failing credit unions, its attempts to thwart administrative reform, and the privatisation fiasco of Japan Tobacco, which investors shunned as a result of the high launch price set by the MoF, all reflect a loss of faith by the public in the ministry's doings.

While politicians may still fall under the ministry's spell, the public is less inclined to do so. As it comes under direct public scrutiny, the MoF is looking increasingly like a piper with a dwindling troupe of villagers following his tunes.

ASIA-PACIFIC NEWS DIGEST

Afghan faction leader killed

Mr Abdul Ali Mazari, the leader of Afghanistan's Shia opposition Hezb-i-Wahdat faction, was killed yesterday while being held captive by the Taliban student militia. Government officials said he died in a helicopter crash while being taken to an unknown destination from the Taliban base at Charasayab, south of Kabul. But a Taliban spokesman said he was killed in a fight with his captors after the helicopter made an emergency landing in the militia-controlled eastern province of Ghazni.

Mr Mazari was said to have been captured by the Taliban at his Karte Seh enclave in south-western Kabul. Afghan government forces were meanwhile preparing to assault the Charasayab base while keeping up a looting spree in an area seized earlier from the Taliban and the Hezb-i-Wahdat militia. Fighters loyal to President Burhanuddin Rabbani led by mujahideen guerrilla commander Ahmad Shah Masood, handed the Taliban its first defeat on Saturday when they drove it and the Hezb-i-Wahdat faction out of Karte Seh. *Reuters, Kabul*

Japanese bankruptcies increase

Japanese bankruptcies grew in February, according to statistics released yesterday. Teikoku Databank, a credit research agency, said the number of corporate bankruptcies with liabilities of more than ¥10m (£69,000) rose 10.7 per cent in February from a year earlier. Total liabilities rose 9.6 per cent to ¥556.29bn, breaking a four-month pattern of year-on-year declines. General recession was blamed for most of the 1,340 bankruptcies, but seven were attributed to the high yen, and 22 companies went bankrupt as a direct result of the January 17 Kobe earthquake.

An Industrial Bank of Japan survey yesterday on corporate capital spending plans also gave a slightly gloomy initial impression: on average, Japanese companies expect capital investment to decline 2.3 per cent in the 1995 fiscal year. But the bank said it expected the figures to be revised upwards, so they could end up positive for the first time in four years. The survey was carried out in late January. Similar surveys before the Kobe earthquake gave more optimistic results, suggesting that confidence was affected in the immediate aftermath of the quake. *Bethan Hutton, Tokyo*

Australia suffers inflation rise

Inflation fears were kindled in Australia yesterday with the release of statistics showing a 0.7 per cent rise in manufacturing output prices in January. This is the largest monthly increase since November 1990, and follows a static month in December 1994. It means that manufacturing output prices have now risen by 2.7 per cent year-on-year, the biggest increase since February 1993.

However, some economists noted that the largest price increases were concentrated in export-related areas, such as basic metal products and petroleum products, and attributed the January rise to worldwide increases in commodity prices rather than domestic demand pressures. "We also already know that base metal prices have been somewhat softer lately - they are therefore unlikely to push the index up nearly as much in coming months," added Bankers Trust. *Nikki Tait, Sydney*

Bond faces committal hearing

Mr Alan Bond, the failed Australian businessman, will face a committal hearing over an alleged A\$1bn (£470m) fraud, involving the transfer of funds from Mr Robert Holmes à Court's Bell Resources to his Bond Corporation. The charges were filed by the Australian Securities Commission in January, after a five-year investigation, against Mr Bond and two other former directors of Bond Corporation. A Perth magistrate scheduled the proceedings - estimated to last 12 weeks - for November 1 to January 17. He also renewed Mr Bond's bail of A\$500,000 with A\$250,000 surety. *Nikki Tait, Sydney*

Indonesia budget up 3.7%

Indonesia's budget for the fiscal year which ends this month will emerge 3.7 per cent up on the projected Rp69,750bn (£19.8bn), the official Antara news agency quoted Mr Mar'ie Muhammad, finance minister, as saying. Revenues and expenditures were around Rp72,350bn in the budget, which is balanced by law. Projected growth over 1993-94 had been 11.9 per cent. Mr Mar'ie told a budget hearing in parliament that an increase in international oil prices and a rise in Indonesia's oil production along with better than expected tax receipts accounted for the greater revenues. Non-oil revenues were Rp47,970bn, up 2.3 per cent on projections, mainly from increased tax revenues. *Reuters, Jakarta*

Magnet for business in Burma

William Barnes and Jeremy Grant make a comparison with Vietnam

General Tan Shwe, Burma's prime minister, who ended a five-day official visit to Vietnam yesterday, had an opportunity to inspect the business boom in a communist country often praised for the canny pragmatism of its economic policies.

Yet, although Vietnam is as much ahead of Burma in terms of international image as in its economic liberalisation, the general might still have wondered how much Hanoi had to teach the Rangoon regime about attracting foreign investment.

For it appears that Burma is starting to attract significant foreign business interest at a time when disappointment on the part of some investors in Vietnam is running high.

The British embassy staff in the Burmese capital recently served up madeira and laid on a performance of Noel Coward songs such as Mad Dogs and Englishmen on the colonial-era embassy veranda. As improbable as the event may sound, it was part of a week-long British trade and investment fair entitled Promoting Modern Britain to Myanmar (as Burma is now known) which ended 10 days ago.

Such initiatives are becoming more common following the military regime's recent moves to liberalise an economy that for most of the period since independence from Britain in 1948 has been caught in the grip of debilitating and inept socialist planning.

The British have seen the Asian crisis, the Japanese and the French start to nibble at the infrastructure projects - now they want to reclaim some of their past glory," said Mr Ho Chin Beng, the chief representative of Singapore's DBS bank in Rangoon.

The Burmese army's ugly human rights record has brought it international notoriety - overturning the results of a 1990 general election and keeping Aung San San Kyi, leader of the victorious National League for Democracy, under house arrest ever since. Yet most of the businessmen toying with deals in the

'Many Japanese businessmen are telling me now that they wished they had looked at Myanmar (Burma) before Vietnam'

country reckon that the State Law and Order Restoration Council (SLORC), as the regime styles itself, is probably there to stay, at least in some form. "The political risk in Burma and Vietnam is about the same. They are both one-party states with a quite cohesive leadership," said Mr Richard Neville, corporate finance director of Kerry Securities in Hong Kong, which set up the first investment fund for Burma last October. The difference is that Burma doesn't put obstacles in the way of foreign investors like Vietnam does - they're desperate to deliver some economic prosperity," Mr Neville added.

"Many Japanese businessmen are telling me now that they wished they had looked at Myanmar before Vietnam," said one Japanese government economist in Rangoon.

Japan's Marubeni trading company recently agreed to

help develop the country's ramshackle infrastructure and to boost its market economy by helping to co-ordinate foreign investment.

Some observers might dispute the ability of venture capitalists and businessmen eager to explore new markets to judge potential political dangers, but Burma does appear to have a number of practical advantages over Vietnam for foreign investors:

● There is much less red tape. ● In Vietnam investment laws, the approval process can be agonising. "You run around in circles for weeks and months. Wow! You finally get your MOU (memorandum of understanding) - but you've still got 33 more people to visit," said one western businessman. By contrast the Myanmar Investment Commission can issue investment approval much more quickly.

● In Vietnam sometimes only money talks - the level of corruption is currently reckoned to be much lower in Burma.

● Burma is a much cheaper place to operate in: a representative office can be set up for \$100,000 a year all in, by one banker's estimate. ● The Burmese still use old British company law and appear to appreciate why contract laws are important. Vietnam's often confusing legal fabric contains strands of French, Soviet and Roman law.

"The Burmese retain their knowledge of commercial law - what do the Vietnamese remember? A civil service run by mandarins and businesses run by Corsicans!" said one bitter foreign investor.

Yet fundamental problems remain for foreign investors in Burma that they do not

encounter in Vietnam: notably the 20-fold disparity between the official and black market rates for the local currency, the kyat. The junta finds it politically difficult to free the exchange rate for fear that sharp increases in the price of food and fuel could trigger another round of popular protests. The artificial value of the currency forces exporters to barter or do illegal deals to repatriate their earnings, something with which few big international companies want to bother.

Even optimists admit that Burma's chances of achieving economic takeoff have been stymied by its political isolation. International lending institutions such as the World Bank will not touch Burma unless there is an internationally acceptable political settlement. This precludes the revamp of the national infrastructure and, in effect, caps the economy's long term growth prospects.

Hardly anyone doubts that Burma - with its 45m population and lush natural resources - is ripe for a business boom given the right conditions. But does this make the country any more tempting than Vietnam was, say, five years ago?

"It's human nature to be excited whenever they are approaching a new party - no matter how bad the hangover after the last one. I suspect Burma will be just the same: high expectations and then some disappointment," says one seasoned foreign investor.

But Mr William Gasson, the regional chief of the inspection and testing group SGS, which has offices in both countries, maintains: "Once Burma gets going I do think the road will be a lot less rocky than in Vietnam."

INTERNATIONAL ECONOMIC INDICATORS: MONEY AND FINANCE

This table shows growth rates for the most widely followed measures of narrow and broad money, a representative short- and long-term interest rate series and an average equity market yield. All figures are percentages.

■ UNITED STATES						■ JAPAN						■ GERMANY					
Year	Narrow Money (M)	Broad Money (M)	Short Interest Rate (%)	Long Interest Rate (%)	Equity Market Yield (%)	Year	Narrow Money (M)	Broad Money (M)	Short Interest Rate (%)	Long Interest Rate (%)	Equity Market Yield (%)	Year	Narrow Money (M)	Broad Money (M)	Short Interest Rate (%)	Long Interest Rate (%)	Equity Market Yield (%)
1986	13.5	8.3	6.49	7.67	3.43	1986	6.9	8.2	5.12	5.35	0.84	1986	9.9	8.7	4.64	5.90	1.70
1987	11.6	6.5	8.82	8.29	3.12	1987	10.5	11.5	4.15	4.84	0.55	1987	9.0	7.3	4.03	6.14	2.21
1988	4.3	5.2	7.85	8.84	3.61	1988	8.4	10.4	4.43	4.77	0.54	1988	8.6	6.4	4.34	6.46	2.61
1989	1.0	3.8	8.99	8.49	3.43	1989	10.6	13.5	5.32	4.88	0.48	1989	6.3	5.7	7.11	6.94	2.22
1990	3.7	5.3	8.06	8.54	3.60	1990	2.6	8.5	7.82	6.91	0.85	1990	4.5	4.5	6.49	8.71	2.11
1991	5.9	3.3	5.87	7.85	3.21	1991	5.2	2.0	7.21	6.37	0.75	1991	5.1	5.8	9.25	8.44	2.35
1992	12.4	2.4	3.75	7.00	2.96	1992	4.5	-0.4	4.28	5.25	1.00	1992	7.0	8.2	9.52	7.77	2.48
1993	11.6	1.4	3.22	5.86	2.78	1993	1.4	2.63	4.16	5.07	0.87	1993	9.7	7.9	7.28	8.44	2.11
1994	6.2	1.9	4.66	7.07	2.86	1994	5.4	2.9	2.12	4.20	0.78	1994	9.7	5.36	6.83	7.76	1.76
1st qtr.1994	9.9	2.4	3.52	6.06	2.76	1st qtr.1994	4.7	1.9	2.05	3.68	0.82	1st qtr.1994	11.1	11.8	5.88	5.33	1.75
2nd qtr.1994	7.6	2.3	4.40	7.07	2.90	2nd qtr.1994	5.2	1.5	2.07	4.05	0.76	2nd qtr.1994	11.4	10.5	5.28	6.71	1.72
3rd qtr.1994	5.1	1.8	4.87	7.31	2.87	3rd qtr.1994	6.2	2.3	2.13	4.46	0.74	3rd qtr.1994	9.8	8.4	5.01	7.16	1.78
4th qtr.1994	2.3	1.0	5.85	7.63	2.91	4th qtr.1994	5.5	2.9	2.23	4.59	0.78	4th qtr.1994	6.8	5.4	5.26	7.49	1.83
March 1994	9.8	2.7	3.84	6.47	2.80	March 1994	5.2	1.9	2.13	4.08	0.79	March 1994	10.5	11.4	5.84	6.27	1.76
April	9.1	2.7	4.05	6.94	2.91	April	5.9	2.2	2.13	4.03	0.80	April	11.8	10.8	5.61	6.43	1.88
May	7.1	2.2	4.54	7.17	2.91	May	5.0	1.7	2.08	3.90	0.78	May	11.2	10.7	5.20	6.83	1.80
June	6.6	1.6	4.57	7.09	2.89	June	4.7	1.5	2.01	4.24	0.72	June	11.3	10.0	5.07	7.05	1.86
July	5.2	2.1	4.74	7.26	2.91	July	5.7	2.0	2.02	4.32	0.73	July	9.7	9.0	4.97	6.80	1.79
August	5.1	1.8	4.84	7.22	2.84	August	6.0	1.9	2.16	4.56	0.74	August	10.1	8.1	5.00	7.10	1.74
September	4.2	1.5	5.01	7.44	2.85	September	6.9	2.3	2.21	4.50	0.77	September	9.0	8.3	5.07	7.53	1.76
October	3.1	1.2	5.49	7.72	2.87	October	6.0	2.4	2.20	4.63	0.76	October	8.8	7.3	5.22	7.54	1.84
November	2.2	0.8	5.81	7.94	2.91	November	5.5	2.7	2.24	4.63	0.78	November	6.5	6.2	5.21	7.48	1.82
December	1.7	0.8	6.26	7.91	2.96	December	4.9	2.9	2.24	4.53	0.78	December	6.2	5.40	5.40	7.45	1.83
January 1995	1.4	1.0	6.23	7.78	2.92	January 1995	5.7	3.1	2.23	4.60	0.80	January 1995	3.7	5.16	7.58	1.86	1.86
February			6.16	7.46	2.85	February			2.20	4.52	0.85	February		5.10	7.40	1.83	
■ FRANCE						■ ITALY						■ UNITED KINGDOM					
Year	Narrow Money (M)	Broad Money (M)	Short Interest Rate (%)	Long Interest Rate (%)	Equity Market Yield (%)	Year	Narrow Money (M)	Broad Money (M)	Short Interest Rate (%)	Long Interest Rate (%)	Equity Market Yield (%)	Year	Narrow Money (M)	Broad Money (M)	Short Interest Rate (%)	Long Interest Rate (%)	Equity Market Yield (%)
1986	6.8	2.7	7.78	6.74	2.65	1986	10.5	5.8	13.25	11.47	1.41	1986	4.0	15.4	11.02	9.87	4.35
1987	4.1	11.8	12.86	9.46	2.76	1987	10.4	9.8	11.12	10.58	1.94	1987	4.7	15.2	9.77	9.52	3.86
1988	3.9	8.3	7.94	9.06	3.66	1988	7.8	8.9	11.24	10.54	2.71	1988	6.6	17.2	10.87	9.88	4.40
1989	7.5	10.0	9.33	8.79	2.58	1989	7.1	8.2	12.41	11.61	2.46	1989	5.9	17.5	13.96	11.33	5.07
1990	3.5	3.8	10.32	9.37	3.19	1990	8.1	9.3	11.88	12.04	2.84	1990	5.3	19.1	14.82	10.30	4.57
1991	-4.9	2.3	6.82	8.03	2.58	1991	8.0	8.0	11.83	13.21	3.46	1991	5.8	17.8	14.92	10.33	4.57
1992	-0.2	5.2	10.38	8.57	3.56	1992	8.7	7.5	13.86	13.29	3.63	1992	2.4	5.1	9.73	9.08	4.01
1993	1.4	-2.9	6.55	7.33	3.21	1993	4.6	7.1	10.22	11.23	3.26	1993	4.6	3.6	5.99	10.47	4.91
1994	-3.3	2.3	5.85	7.20	2.99	1994	5.7	8.7	8.48	10.58	1.87	1994	6.4	6.0	5.57	8.00	3.94
1st qtr.1994	2.4	-5.2	6.29	5.99	2.67	1st qtr.1994	7.8	7.7	8.42	8.99	1.80	1st qtr.1994	5.4	5.4	5.31	6.72	3.57
2nd qtr.1994	2.0	-4.4	5.73	7.03	2.85	2nd qtr.1994	7.3	7.9	8.96	8.64	1.54	2nd qtr.1994	5.4	5.6	5.4	6.23	3.12
3rd qtr.1994	2.9	-1.0	5.62	7.69	3.05	3rd qtr.1994	8.2	5.0	8.88	11.42	1.58	3rd qtr.1994	6.8	4.8	5.55	5.87	4.03
4th qtr.1994	2.3	-3.7	5.75	6.17	3.10	4th qtr.1994	8.2	8.0	8.42	11.11	1.75	4th qtr.1994	7.0	4.3	6.19	6.80	4.16
March 1994	2.4	-5.2	6.29	6.37	2.80	March 1994	7.6	8.5	8.43	9.46	1.77	March 1994	6.9	5.7	5.23	7.29	3.74
April	4.8	-4.1	6.01	6.65	2.89	April	10.2	8.4	8.10	9.38	1.49	April	6.0	5.5	5.29	7.96	3.87
May	1.3	-4.8	5.66	6.94	2.88	May	9.2	7.2	7.80	9.38	1.47	May	5.9	5.3	5.22	8.13	3.82
June	2.0	-4.4	5.65	7.41	3.51	June	7.4	6.3	8.03	10.46	1.57	June	6.8	5.5	5.16	8.54	4.16
July	4.0	-2.0	5.65	7.38	3.00	July	4.9	8.4	8.47	10.70	1.64	July	6.3	5.8	5.29	8.52	4.11
August	3.1	-3.1	5.59	7.81	2.96	August	4.9	8.93	11.49	10.49	1.58	August	6.8	4.8	5.28	8.34	4.16
September	2.9	-1.0	5.63	8.06	3.10	September	4.9	8.9	8.86	12.03	1.81	September	6.8	5.8	5.28	8.52	4.16
October	3.1	0.1	5.65	8.17	3.13	October	4.9	8.9	8.86	12.08	1.71	October	7.1	4.9	5.76	8.80	4.04
November	3.2	0.9	5.61	8.13	3.08	November	3.9	2.8	8.88	12.04	1.74	November	7.1	4.1	5.98	8.71	4.14
December	3.3	2.3	5.97	8.01	3.06	December	3.5	2.7	9.03	12.22	1.99	December	6.7	4.4	6.46	8.53	4.23
January 1995			5.89	8.29	3.12	January 1995			8.29	12.38	1.68	January 1995	6.5	4.2	6.46	8.53	4.23
February			6.83	7.99	3.21	February			8.96	12.41	1.64	February			6.4	8.66	4.22

UK and Israel to form joint business council

By Julian O'Connell in Jerusalem

Britain and Israel yesterday agreed to form a joint business council to promote two-way trade and investment in the wake of unfolding Middle East peace.

The decision emerged during a conference of senior British and Israeli businessmen who also agreed an agenda of objectives to boost bilateral trade worth £1.6bn (\$2.63bn) a year.

"We now have a very high level of commitment from the top of British and Israeli industry and the political support of both prime ministers to create an organisation which will expand business and investment," said Mr Richard Needham, British trade minister.

The business delegation accompanying British prime minister John Major on a regional visit groups leading UK businessmen including British Gas chairman Richard Giordano, Cable & Wireless chairman Lord Young and Sir Christopher Hogg, Reuters chairman.

Businessmen said the presence of senior executives from British Aerospace and the General Electric Company, who are making their first official trip to Israel, marked the fact that most British companies were now operating as if the Arab economic boycott of Israel were dead.

Both British Aerospace and GEC traditionally avoided business with Israel because they feared being blacklisted and losing lucrative deals with Saudi Arabia and other Arab states.

"I think for most companies the boycott is a matter of the past," said Lord Sterling, chairman of P&O. The embryonic British-Israeli business council agreed a 10-point agenda including fostering joint ventures in Israel and other countries in the Middle East; undertaking massive regional infrastructure projects; and pushing for a speedy conclusion to long-delayed negotiations over a bilateral agreement on investment promotion and protection.

Oil explorers take second look at Ireland's waters

John Murray Brown and Stewart Dalby on a new bids round

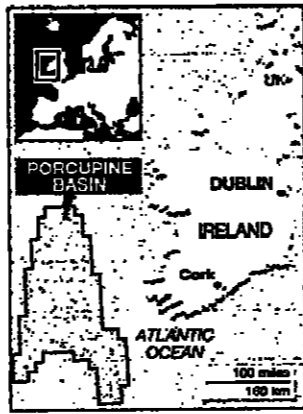
The Dublin government tomorrow announces the results of a new round of licences for oil exploration blocks off Ireland's west coast. It says 11 international consortia have bid for 35 blocks in its Porcupine Basin, a large sedimentary trough some 100 miles offshore.

A total of 132 blocks were offered when bids were invited in January last year. Among the large oil companies, Amoco, Conoco, Total, Elf, Occidental and Marathon are understood to have submitted bids.

This is the first big round of licensing in Ireland since the early 1980s.

There is a gas field off Kinsale in county Cork and there have been modest oil finds in the Celtic Sea off south-east Ireland and the Porcupine Basin, but there are no functioning oilfields although some wells were drilled in the area in the 1980s.

All the acreage has since been surrendered and the wells plugged apart from a small



area developed by Aran Energy, the Irish oil concern. Aran owns the Connemara field in the Porcupine Basin which has known reserves of up to 80m barrels, half of which could be recoverable. Aran is hoping for some new licences in tomorrow's round. Exploration in the Porcupine was largely abandoned in the mid-1980s because of deep water and distance from the shore.

There is no oil infrastructure around Ireland in the form of pipelines and the oil finds were deemed uneconomic. The Porcupine is 1,200ft deep; the deep-sea well in the North Sea is around 600ft. Another disincentive was Ireland's punitive taxation regime on companies in the mid-1980s.

However, the discoveries by BP and others to the west of Shetlands have transformed the economics of deep water production. Floating rigs, vertical drilling and the ability to transport oil to tankers at sea have brought down the cost of extraction to \$5 a barrel from around \$30 during the 1980s.

Ireland has been considered a high-risk location because of its poor history of finds and the deep water exploration costs. However, technological developments and a more lenient tax regime have helped to improve the prospects for companies recouping their outlays.

In 1992 Ireland introduced a 25 per cent corporation tax and a claw-back provision which

will allow companies which prospected in earlier decades to recover their development and exploration costs.

According to the Geneva-based Petro Consultants, Ireland now offers the best fiscal regime in the world for oil companies - the UK is the second most favourable. In the 1970s, in a bid to maximise earnings at a time of high oil prices, the Irish government took as much as 80 per cent of income.

Energy analysts say the attractions of the licence is that it allows companies a long lead time into the development phase.

In 1994, the Porcupine Basin was redefined as "frontier acreage", which means companies are not required to drill a well for two years in the first phase of exploration. The only obligation is that they commit themselves to a work programme of seismic activity.

Companies will be obliged to pay a licence fee of £20 (\$31.60) per sq km, or around £25,000 for a block of 250 sq km.

WORLD TRADE NEWS DIGEST

Jakarta attracts more investment

Foreign investment approvals in Indonesia rose to \$10.4bn in the first two months of this year compared with \$1.8bn in the same period last year. Indonesia's investment minister, Mr Sanyoto Sasrowardoyo, said the figures were "encouraging" and showed Indonesia was still attractive to foreign investors despite increasing competition in the south-east Asian region for foreign capital.

However, historically only half of approved foreign projects by value are implemented. Last year foreign investment approvals reached an all-time high of \$23.7bn after dipping to \$8bn in 1993. The value of foreign investment approvals has shown a sharp increase since June last year, following a deregulation package which opened several sectors to foreign capital for the first time and allowed foreigners to retain majority ownership in a joint-venture company after 20 years of operating in the country. *Manuela Saragosa, Jakarta*

Australia seeks trade review

Australia is seeking to review a 37-year-old bilateral trade agreement with Malaysia when the Australia-Malaysia Joint Trade Committee meets next month. Australian officials said the aim was to revise the agreement so it "reflects more accurately our trade policy objectives and commercial interests in Malaysia". Market access issues - a bone of contention for Australian exporters in the Asian region - are likely to be raised at the forum.

Bilateral relations have sometimes been fractious, but trade has continued to grow, rising from around A\$1.5bn (\$2.01bn) in 1969/70 to over A\$2.5bn in 1993/4. There have also been signs of increased investment interest by Malaysians in Australia, notably in the property and resource sectors. *Nikki Tait, Sydney*

Contracts and ventures

Alenia, Italy's state-controlled defence and aerospace group, has won a \$160m contract to equip six Brazilian navy frigates with radar, missile and other equipment. Alenia, which is part of the Finmeccanica engineering holding company, won the contract more than four years after the Brazilian navy opened an international contest for the modernisation of six Niteroi frigates, built by Vosper Thornycroft of the UK. Alenia Sistemi Navali will supply radar guidance systems, seven surveillance radar systems, and six Albatros-Aspide surface-to-air missile systems, as well as logistical support. *Andrew Hill, Milan*

Fincantieri, Italy's state-controlled shipbuilder, has won another order for a tanker equipped with a double-skinned hull to protect against oil spills in the case of grounding or collision. The 150,000-tonne ship, which should be delivered to the new owner, Transpetrol, during 1996, is the sister to Eco Europa and Eco Africa, which were built for Seam, the gas subsidiary of Italy's Eni group. Fincantieri is now working on a total of 16 orders for "eco-tankers". *Andrew Hill, Milan*

Singapore CableVision, a cable television network due to start in mid-year, has signed up Asia Business News (ABN) to provide 24-hour service on weekdays and 12 hours of programming a day on weekends. ABN said it would be one of 30 channels on Singapore CableVision when it is launched in June this year. *Reuter, Hong Kong*

CAE, the Canadian electronics group, will supply a full Boeing 777-300 flight simulator and trainer systems to Japan Air System, the third-largest Japanese airline, for early 1997 delivery. The value of the contract is around \$20m. CAE has won seven of a total 11 Boeing 777 full simulator orders so far. *Robert Gibbons, Montreal*

Buoyant drugs market in N America and UK

By Daniel Green

North America and the UK were the fastest growing of the world's main drugs markets in 1994 in spite of public and private sector efforts to control healthcare costs, according to figures published today.

Both markets grew by 8 per cent to \$52.5bn and \$5.6bn respectively, according to IMS, the market research company which compiles drugs industry statistics. This compares with world growth, at constant exchange rates, of 5 per cent to \$122.3bn. Growth in North America compared with a rate of 5 per cent the previous year and reflected new product launches and the failure of proposed US government health-

care reforms. The US is also the world's only large market where prices are effectively unregulated.

In the UK, where the government has imposed modest price cuts, the 1994 growth was lower than the growth of 12 per cent in 1993. The UK remains a relatively small market in world terms, well behind Japan, Germany, France and Italy.

Italy imposed the harshest controls on drugs prices of all the countries surveyed by IMS last year. A fall in sales of 8 per cent in 1994 to \$7.4bn followed a 2 per cent fall in 1993. Drugs industry executives hold out little hope for a rapid return to growth in Italy.

The Japanese govern-

ment also imposed some price cuts last year. Sales there rose 2 per cent to \$22.5bn, compared with growth the previous year of 6 per cent.

The German government attacked drugs costs in 1993, when sales fell 9 per cent. Last year's growth of 5 per cent to \$13.6bn was second only to the US and UK, but failed to return sales to the levels seen in the early 1990s.

France, yet to impose widespread cost control measures on pharmaceuticals sale, nevertheless had a lower sales growth in 1994 than in 1993. Last year, sales grew 3 per cent to \$12.9bn. The rate of growth was double that in 1993.

By medical area, one of the fastest growing areas of 1994

World pharmacy drug purchases January-December 1994 in US dollars (m)										
	America	Japan	Germany	France	Italy	UK	Spain	Netherlands	Belgium	
Cardiovascular	8,565	3,503	3,226	3,162	1,678	938	797	322	328	
Alimentary/Metabolism	8,630	4,371	2,400	2,087	1,317	1,107	661	391	254	
Central Nervous System	9,024	1,136	1,462	1,487	735	752	461	206	259	
Anti-infectives	4,947	2,223	902	1,059	929	406	504	110	193	
Respiratory	5,585	1,751	1,400	1,059	491	858	404	244	157	
Musculo-Skeletal	2,263	2,175	733	576	418	364	219	78	90	
Blood Agents	2,395	1,881	528	763	436	91	231	77	66	
Others	11,478	4,809	2,989	2,182	1,416	1,058	725	310	281	
Total	52,897	22,449	13,640	12,920	7,410	5,575	4,002	1,736	1,628	
% Change**	8	2	5	3	-8	8	5	5	2	

Source: IMS International

*Non-hospital market only **Increase excluding currencies

was the new generation of anti-cholesterol drugs made by companies such as Merck and Bristol-Myers Squibb, the two biggest US drugs makers.

The class of drugs to which anti-cholesterol treatments belong had sales increase 8 per cent to \$4.1bn, in constant currency terms, with the fastest growth seen in the US.

The flow of new products in ulcer treatments boosted sales there too. Products include the

world's biggest selling drug, Zantac, made by Glaxo of the US, and Losec/Prilosec, from Sweden's Astra. Sales in that class rose 8 per cent to \$9.1bn.

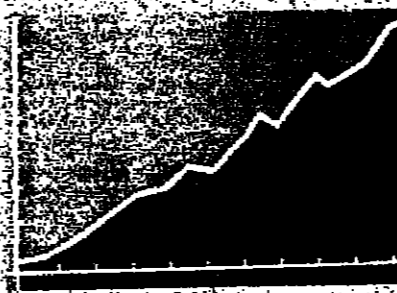
Growth in sales of anti-depressants such as Prozac, made by Eli Lilly of the US, made the category of nervous system drugs one of the fastest growing. Sales there rose by 8 per cent to \$15.5bn. Within that group, anti-depressants grew by 22 per cent to \$4.4bn.

Sales fell in some areas, how-

ever. Cough and cold preparations sales were down 4 per cent to \$3.2bn, and sales of anti-rheumatic drugs fell 4 per cent to \$3.8bn.

These two are typical of areas where governments have been keen to reduce subsidy through national health services and encourage patients to pay for the drugs themselves in ordinary shops.

We're a typical
Swiss Bank.
Except we're
Dutch.



Swiss banks are synonymous with the standard in banking. They're known for their solidity and longterm partnerships, their stability and steady growth. That's also characteristic of Rabobank. With a high capital adequacy, strong balance ratios and steady profits, you'll see why we're rated AAA. With 50 offices in 30 countries worldwide, Holland's Rabobank is among the top 15 in European banking and takes its position in the world's top 50. For more information, call (31) 30902804.

Rabobank. The strongest Dutch bank in the world.



NEWS: UK

Upward pressure on manufacturers' prices eases

By Robert Chote,
Economics Correspondent

British industry's fuel and raw material costs rose relatively modestly in February, alleviating upward pressure on manufacturers' prices, official figures showed yesterday.

Fuel and raw material costs rose by 0.3 per cent in February after adjusting for the small fall which is normal for the time of year, according to the Central Statistical Office. Input costs rose by 1.7 per cent in January and have not risen by less than 0.2 per cent in any month for more than a year.

The annual rate of increase in fuel and raw material costs consequently edged down to 11.4 per cent, retreating from January's 10-year high of 12.1 per cent. This was the first fall in this annual rate for more than a year.

Input costs were subdued in February by a big fall in fuel prices, while speculative selling also pushed down metal prices on commodities markets. But the price of materials used by the food processing industry continued rising strongly.

Manufacturers meanwhile raised their prices by 0.3 per cent between January and February, lifting the annual rate of

factory gate inflation to a 13-month high of 3.6 per cent.

The statistical office also revised up its estimate of factory output prices in the previous month, providing further evidence that companies have been successful in passing higher costs onto their customers rather than absorbing them in profits.

The figures were slightly more subdued than City economists had expected, but they had little impact on expectations of future movements in interest rates. Most economists said the Treasury and Bank of England would wait to see whether economic growth con-

tinued slowing and whether the pound would carry on weakening.

Mr Andrew Cates, economist at UBS, said: "We expect output price inflation to continue to rise through the course of the year". He added that economic activity was likely to rebound after showing signs of weakening, prompting a further rise in interest rates before the second half of the year.

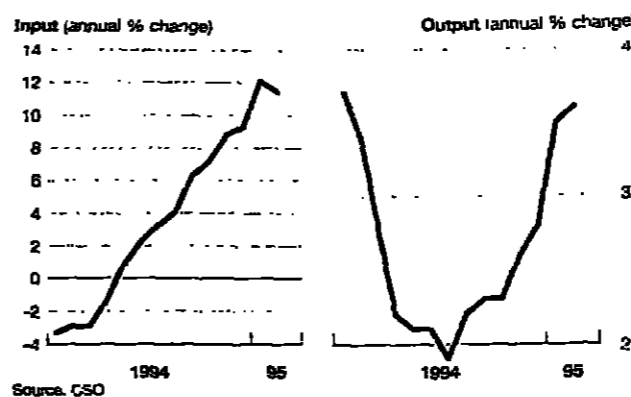
Excluding volatile food, drink, tobacco and petrol prices, factory gate inflation rose from 3.5 per cent in January to 3.7 per cent in February. This was the highest

underlying factory gate inflation rate for 3½ years. But the 0.3 per cent rise in underlying factory gate prices in February alone was the lowest for six months.

Upward pressure on factory prices remained strongest in those sectors most exposed to rises in commodity prices over recent months.

These include the wood, paper, chemical, plastic and metals industries. Manufacturers are also facing pressure on costs from an upturn in unit labour costs - the amount which has to be spent on wages and salaries to produce each unit of output.

Manufacturers' costs slip back



Source: CSO

Watchdog reviews TV news agreement

By Raymond Snoddy

Britain's Office of Fair Trading is believed to be looking into an non-competition agreement signed by all the shareholders of Independent Television News, including Reuters, the news and information group.

The issue has come to the fore because of the recent agreement between Reuters and British Sky Broadcasting (in which Pearson, owner of the FT, has a stake) on supplying programming for the Sky News channel.

The new grouping is seen as a possible competitor to ITN in the news supply market in British commercial television. The creation of such a second force, which a number of broadcasters, including Channel 4, want to see, would apparently be blocked by the non-competition agreement.

The ITN agreement has been submitted for registration by the OFT, which has the power to accept it as not being against the public interest or ask the Restrictive Practices Court to investigate.

It is believed a number of broadcasters have drawn the attention of the OFT to the potentially anti-competitive aspects of the ITN deal.

ITN is the monopoly television news supplier for ITV and Channel 4 until the end of this year. The Independent Television Commission can then decide whether to allow a competing supplier.

Even broadcasters which would probably stay with ITN would like to have the choice of a competitor to put downward pressure on the price of the news supply contracts.

Last week Sir George Russell, the ITC chairman, warned the ITV companies that he believes that the rules limiting individual ownership in ITN to 20 per cent should be honoured. Both Carlton and Granada have 35 per cent because of acquisitions. The ITC decided on a one year moratorium on the sell-down because of the Government's cross-media ownership review.

Vans company to open assembly unit in Poland

By Kevin Done,
Motor Industry Correspondent

LDV, the Birmingham-based van maker, is expanding into eastern Europe less than two years after it was rescued from receivership by a management buy-out.

The company has begun assembly of its 400 series van in Poland in a collaborative project with Andoria, the Polish manufacturer of diesel engines.

LDV, formerly Leyland Daf Vans, which was established in April 1983 following the collapse of its parent company Daf, the Dutch commercial vehicle maker, has recovered strongly. It intends to re-enter important markets in western Europe later this year.

It is understood to have earned pre-tax profits of around £18m (£29.5m) in 1994, its first full year of operations, on a turnover of some £165m.

Mr Allan Amey, LDV chief executive, said the venture with Andoria was an important element in the company's export strategy, and it was hoped to sell the Polish-built vehicles in other markets in eastern Europe.

Under the terms of the deal with Andoria, LDV is shipping kits to the Polish engine

maker's plant at Andrychow in southern Poland.

The vehicles are being fitted with Andoria's own 2.5 litre turbo diesel engine along with gearboxes bought from the Land Rover division of Rover, the UK subsidiary of BMW of Germany.

Andoria hopes to raise gradually the level of locally-sourced components, which could include tyres and batteries, exhaust systems, radiators and plastic components.

LDV said it intended to supply more than 1,000 van kits a year to Poland. A volume of at least 1,000 a year is necessary in order to avoid 30 per cent Polish import tariffs.

Mr Amey said that the collaboration with Andoria could develop into a joint venture with LDV taking an equity stake in the Polish van operations. The two companies have established a network of 10 dealers in Poland and are aiming to raise this to 25.

Importer/distributor agreements should be signed for Germany, the Netherlands, Belgium and France within three months, said Mr Amey, with the aim of achieving sales of around 2,000. An agreement for sales and local assembly in South Africa could be completed within 12 months.

ING suspends staff at Barings Futures

By William Lewis in Singapore



Internationale Nederlanden Group, the Dutch banking group which has bought Barings' main operating businesses, has suspended on full pay all staff at Barings Futures (Singapore), the subsidiary which was managed by Mr Nick Leeson and caused the bank's collapse.

Mr Peter Teo, a senior executive at ING, said yesterday that 20 traders and backroom staff

had been put "on paid leave". It is thought likely that this leave will continue until an internal investigation is completed.

The suspensions come the day after ING announced that it was to set up a new futures operation in Singapore to replace Barings Futures (Singapore), which will be liquidated. It could start trading later this week. Barings Securities Singapore is likely to recommence trading today.

The lawyer representing Mr Simon Jones, a Barings Futures director who has not been appointed to the new

board in Singapore, said his position at the company was still being "worked out". ING has said that it expects most of Barings staff in Singapore, about 120 people, to be retained and their bonuses to be paid.

Barings Futures (Singapore) traders and backroom staff were called to a meeting yesterday. Company insiders said most of the staff were unlikely to work for Barings again. There have also been indications that some of the staff who worked closely with Mr Leeson will be prevented by regulators in Singapore from working for other firms.

A government official said: "Singapore must think first and foremost about its reputation, and although there is no indication that these people knew that anything was going on, they are unlikely to be welcome here."

Barings staff reacted angrily. One said: "We have waited around for near ages and they do this to us. I worked my guts out for them but now I'm being treated like a common criminal."

Last night Ms Deborah Tan, one of three interim judicial managers from Price Waterhouse, the accountancy firm,

said the court in Singapore had approved a repayment to Banque Nationale de Paris of margin payments on Simex, the Singapore futures exchange.

Ms Tan said full repayment of other futures margin payments, frozen after the collapse, was also likely to be made to "tens of Barings' clients" once investigators had confirmed that they were legitimate.

The payments will be made out of the funds Simex passed to judicial managers after the closing out of all Barings Futures Simex positions.

Leeson claimed trades 'on behalf of Soros'

By William Lewis in Singapore and Peter Marsh in London

Mr Nick Leeson, whose trading activities are alleged to have forced the UK merchant bank Barings into administration, told fellow traders in Singapore earlier this year that he was executing trades on behalf of Mr George Soros, the international financier.

The Simex futures exchange in Singapore has been told by exchange traders that Mr Leeson "put it around that Soros was backing him and that he therefore had an inexhaustible cash supply," a Simex investigator said.

Investigators in Singapore said there was "no evidence to suggest that Leeson had any

added that there had been no application for bail. Mr Leeson has been held since March 2 in a prison in Höchst, on the outskirts of Frankfurt, after being detained by Frankfurt airport police.

At a 20-minute court hearing in Frankfurt Mr Leeson said he would not return voluntarily to Singapore, where he has been charged with forging documents. Mr Leeson did not comment on the Singapore charges but told the judge he would "assert his defence later". Mr Hans-Hermann Eckert, state prosecutor, said: "He told the judge he wants to be extradited to England, not to Singapore". The prosecutor

dealing with Soros". They believe he used the claim of being linked to Mr Soros "as a legitimate trading tactic against competitor firms" and possibly to disguise the trades he was carrying out on behalf of Barings.

Mr Stan Druckenmiller, port-

folio manager at Soros Fund Management, the fund based in New York which is controlled by Mr Soros, yesterday denied that the fund had any link with Mr Leeson.

Mr Druckenmiller, whose company manages \$10bn in international investments,

said: "No one in our organisation has spoken to Mr Leeson and we haven't been trading with him."

The remarks apparently made by Mr Leeson are believed to have been part of his effort to convince market observers and regulators that

he had powerful customers. In recent weeks a spate of rumours in financial markets has linked Barings' trading operations in Singapore with the activities of a big fund management group. Soros Fund Management has been mentioned in these rumours, according to traders.

● Cazenove, the blue-chip UK stockbroking firm, yesterday took the unusual step of denying reports that it had been in discussions about a possible acquisition of the firm by Barings. A statement said: "The partners of Cazenove wish to make it clear that no such discussions have taken place and that there is no truth whatsoever in any of these reports or rumours."

1 3 5

2 4 R

SENSONIC

Introducing the new Saab 900 Turbo Sensonic.

FOR FURTHER INFORMATION, A TEST DRIVE OR DETAILS OF OUR INTERNATIONAL DIPLOMAT SALES PROGRAMME CALL SAAB ON +44 (0) 1454 345 300 OR FAX TO +44 (0) 1454 345 333

We wanted the joy of a stick. Without the drag of a clutch.

At Saab we enjoy driving as much as you do. Particularly zipping through the gears on the open road.

What we have never managed to enjoy is constantly pumping the clutch in a traffic jam.

So we looked around for a way to have one without the other. And we finally decided to borrow an idea from Formula 1 racing cars.

The result is Saab Sensonic.

YOUR LEFT LEG CAN RELAX.

With Saab Sensonic, we've eliminated the clutch pedal. Instead, we've fitted an electro-hydraulic system that does all the work your left leg used to do.

So on the open road you get all the enjoyment and fingertip control that only a stick shift can provide. But in traffic you get the clutchless ease of an automatic.

It's yet another case of getting the best of both worlds.

SAAB 900 TURBO AND FORMULA 1.

The idea of the clutchless gear stick isn't new. But originally you could get it only in Formula 1



and a couple of extremely expensive sports cars. Saab is one of the first manufacturers to offer this feature in an attainable production car - the Saab 900 Turbo.

So you can now enjoy driving a car that gives you the performance of a stick shift turbo without the drag of a clutch. It's a combination that anyone who enjoys driving will probably want to try out.

FOR PERSONAL REASONS.

Every Saab driver has his or her own reasons for buying a Saab. Our job is simply to give you as many reasons as possible.

And with Saab Sensonic we've tried to give you a very special reason indeed.



SAAB

NEWS: UK

Tories aim to mend link with N Ireland MPs

By John Kampner,
Westminster Correspondent

Conservative party managers sought last night to turn a potentially embarrassing backbench rebellion over Northern Ireland to the government's advantage by repairing links with Ulster Unionist MPs.

Having to work with a minority in the Commons following the rebellion of nine MPs last December and the withdrawal of the Conservative whip from them, Mr John Major has risked his government's survival by antagonising the Unionists. The nine Ulster

Unionist MPs made clear within days of the publication of the joint Anglo-Irish framework document last month that they had severed their traditional links with the Tories.

They also made no secret at their sense of personal betrayal by prominent Tory backbenchers such as Mr Andrew Hunter, whom they had previously seen as a sympathetic channel for their views to Northern Ireland ministers.

It therefore suited both sides when Mr Ken Maginnis, the Ulster Unionists' security spokesman, approached Mr Hunter late last week. They

agreed a joint approach, an early day motion – an effective vehicle for expressing parliamentary criticism that stops short of rebellion. Mr Maginnis left it to Mr Hunter to fine-tune the text, to garner support among Conservatives and to present the motion, which he was expected to do last night.

Mr Hunter, chairman of the backbench Northern Ireland committee, was understood to have received backing from around 20 Conservatives in addition to the Unionists.

Worried that the move was being reported as another internal party

revolt, Sir Patrick Mayhew, Northern Ireland secretary, contacted Mr Hunter. The two met twice, most recently yesterday.

Mr Hunter was keen to play down talk of internal party wranglings, preferring to focus on a possible rapprochement with the Unionists, while Mr Maginnis said he hoped differences had narrowed after the fracas over the framework document.

The pretext for the motion was as much the White House invitation to Mr Gerry Adams, Sinn Féin president, as Sir Patrick's attempts to "clarify" the government's conditions for

upgrading talks with the IRA's political wing. Sir Patrick's apparent softening of the line last week caused consternation.

Many MPs believe it will be difficult for the government to row back from the position that a commitment to decommission plus a token first step will suffice for ministers to begin substantive talks with the Sinn Féin.

For many mildly pro-Unionist MPs, Sir Patrick's statement – during a singularly unsuccessful visit to Washington – was one concession too far to Sinn Féin, the Irish Republic and the Clinton administration.

Labour leader beats left wing on party reform

By Kevin Brown,
Political Correspondent

Mr Tony Blair, leader of the Labour party, yesterday won the overwhelming support of the party's ruling national executive committee for an amendment to the party's constitution supporting a thriving private sector in a dynamic market economy.

The NEC voted 21 to 3, with five abstentions, to back Mr Blair's 349-word replacement for Clause 4 of Labour's constitution, which commits the party to "common ownership of the means of production, distribution and exchange".

Leftwing NEC members fought hard to retain the existing 275-word clause, drafted in 1918, which is regarded by many traditionalist party members as a symbol of Labour's socialist commitments.

Yesterday's vote paves the way for final approval at a special conference of constituency delegates and trade union representatives next month, which is expected to back the new clause by a big majority.

The clause says Labour seeks a "dynamic economy" in which the "enterprise of the market and the rigours of competition are joined with the forces of partnership and co-operation to produce the wealth the nation needs and the opportunity for all to work and prosper".

It stops short of promising public ownership, committing the party to "a thriving private sector, and high quality public services, where those undertakings essential to the common good are either owned by

the public or accountable to them". Other sections call for a community in which "power, wealth and opportunity are in the hands of the many, not the few," a "just society" promoting equality of opportunity, an open and accountable democracy, and a healthy environment.

Mr Dennis Skinner, MP for Bolsover, said the revised clause was a "distraction" from the battle against the "divided and weak" Conservative government.

Several trade union members of the NEC abstained because the revised clause fails to give a clear commitment to full employment, which has emerged as an important rallying cry for critics of Mr Blair's campaign to modernise the party.

However, Mr Tom Bursillon of the GMB industrial union, signalled that the union might support the clause at the special conference. "My personal recommendation would be to recommend acceptance," he said.

Mr Blair, who drafted the final version at a weekend meeting with Mr John Prescott, deputy leader, said the vote was "a defining moment" in Labour's history, which would "dictate how we intend to govern".

He said the revised clause would give Labour "a constitution which states what we are in terms which cannot be misrepresented by the Tories; a constitution which lays out our principles more clearly than they have ever been stated".

Editorial Comment, Page 21

UK NEWS DIGEST

Row looms on airport noise levels

Local authorities and anti-noise campaigners reacted angrily yesterday to a government announcement which objects say will lead to an increase in night flights at London airports.

Mr Brian Mawhinney, transport secretary, told the House of Commons yesterday that the government had issued a new consultation document expressing its intention to keep noise levels at Heathrow and Gatwick airports below those permitted in 1988. However, as the permitted level in 1988 was below the actual level, campaigners said the amount of disturbance they suffered in future would be greater than in previous years.

Mr Mawhinney said MPs for airport constituencies had called for a reduction in night aircraft noise. He would write to Sir John Egan, chief executive of BAA, which owns the airports, asking whether his group and the airlines could reduce the disturbance caused by night flights on a voluntary basis.

BAA said yesterday: "We are always looking at ways of reducing the impact of night noise," but Miss Frances Rudd, planning officer of the Airports Policy Consortium, which includes local authorities near the airports, yesterday accused Mr Mawhinney of "passing the buck" by asking BAA to reduce noise voluntarily. Michael Skaggs, Aerospace Correspondent

Farmworkers seek big rise in pay

Farmworkers are asking for a bigger share of rising farm incomes in a move likely to meet stiff opposition from farmers when they meet at the annual wage round next week. The Transport and General Workers' Union yesterday demanded a "major pay rise this year", claiming that farmers could pay for the entire wage bill out of their subsidies.

Mr Barry Leadwood, the union's chief negotiator, said: "Farm incomes have gone up by nearly 140 per cent since 1991 and farm subsidies rose by the same amount last year alone. For large farms, which are the biggest employers, the outlook is even rosier. But labour costs have risen by just 2 per cent. Farmers can well afford to cover a major pay rise this year."

The National Farmers' Union, which represents the employers on the Agricultural Wages Board, agreed a 4.9 per cent pay rise for farm workers last year. A spokesman said farmers would not be inclined to award another large rise, as some sectors, notably the pig industry, were still in recession, and most farms faced tighter margins as a result of rising capital expenditure and declining support. James Harding

Chief of student loans company is dismissed

The chief executive of Britain's troubled Student Loans Company has been dismissed following an investigation into allegations of financial irregularity. Mrs Gillian Shephard, education secretary, said yesterday that Mr Ron Harrison, the company's chief executive, had been dismissed "for conduct which has brought himself and the company into disrepute".

Although she did not specify its nature, the misconduct is believed to concern personal expenses, the authorisation of overtime and the misleading of the loan company's board during an earlier investigation. The company, based in Glasgow, distributes loans for maintenance costs to university and college students. Andrew Adams, Public Policy Editor

Judge orders block on animal shipments lifted

A High Court judge yesterday ordered officials at Shoreham in southern England to end a block on livestock shipments through the port – but placed limits on the number of animals on anyone sailing. The port authority imposed

the ban last week after the shippers, International Traders Ferries, announced they were bringing into service a new vessel considerably larger than the existing carrier, Northern Crusader.

The Tunisian-registered Cap Bon is capable of carrying 30 trucks in each load, and animal rights campaigner Sir Roger Sear warned there would be "chaos" if the vessel arrived in Shoreham. Mr Justice Bofield granted an injunction to ITF forcing the port authority to allow their trade to continue, but said the Cap Bon should be limited to carrying only 10 trailers. PA News

Card fraud crackdown reduces bank losses

Plastic card fraud in the UK fell by a quarter last year as retailers stepped up security checks on card payments. The banking industry reduced its losses on credit and debit card fraud from £129.8m (£212.87m) to £96.8m, according to the Association for Payment Clearing Services (Apacs).

Retailers checked around 30 per cent of all transactions last year, after card companies significantly lowered the threshold at which sales must be authorised in April. More than 45 per cent of sales are expected to be authorised this year.

Mr Richard Allen, chief executive of Apacs, said yesterday: "We are understandably pleased with the industry's success in bringing about a sharp reduction in plastic card fraud." Fraud has also been cut thanks to higher security when cards are delivered, according to Apacs. Losses from cards which have been intercepted before delivery fell from £18.2m to £12.6m last year. Richard Wolfe

Health unions to meet over pay claim

Unions representing health workers yesterday met at the Trades Union Congress headquarters in London to discuss tactics in their demands for a 3 per cent pay rise. The pay review body covering nurses recommended a 1 per cent national pay award coupled with up to 2 per cent to be negotiated locally.

The unions and royal colleges representing medical staff say it is unfair because not every hospital can afford the rise – yet they claim all nurses deserve 3 per cent. The government says many health trusts have already agreed to pay the extra locally determined money and most nurses will get the award in full. Lisa Wood, Employment Staff

Former leading Tory Euro-MP dies

Sir James Scott-Hopkins, a former Tory minister, a leading MEP and the longest-serving British politician in the European arena, has died in London after a long illness, his agent reported yesterday. He was 73.

His associations with Europe dated back to 1960 on his appointment as a member of the Council of Europe. He was one of the 15 members of the European Parliament appointed in 1973 by Edward Heath, then Prime Minister, when the United Kingdom joined the Community. The following year he was made deputy leader of the Conservative group and in 1976 became a vice-president of the Parliament. He was leader of the European Democratic (Conservative) Group from 1979 to 1982. PA News

Scots tourism plan: The bonny banks of Loch Lomond and the Trossachs are to have nearly £3m spent on them over the next three years, the Government announced today.

A new committee is to be set up by local councils to manage the loch area, which in recent years has been the scene of conflicts between powerboat and jet ski enthusiasts and visitors following more peaceful pursuits.

Clegg case set for review: Prison authorities in Northern Ireland have agreed to review the life sentence on paratrooper Lee Clegg because of "exceptional mitigating" factors in the case.

Pte Clegg, 36, is serving his sentence at Wakefield Prison, West Yorkshire, after the House of Lords rejected his appeal against conviction for the murder of Karen Reilly, who died when troops opened fire on a joyriders' car in west Belfast five years ago.

Pte Clegg was told yesterday that his case would be considered by the Northern Ireland Life Sentence Review Board at its meeting in June.

From the people who brought you Death...

By Roderick Oran,
Consumer Industries Editor

The Enlightened Tobacco Company, maker of Death brand cigarettes, yesterday launched a mail order service to import leading brands of cigarettes into the UK at up to 40 per cent below list prices.

Shipping them from Luxembourg, it is exploiting lower cigarette excise duties on the mainland compared with the UK. Its initiative, which will be tested in a London court in May, poses the first organised challenge to the UK's policy of high excise duties.

"All we are doing is arbitraging the tax differential," said Mr Sten Bertelsen, managing director of the company. "We are operating within the letter and spirit of European law and the free market of goods. It is up to the UK to harmonise duties."

ETC had started to import its Death cigarettes and Shag brand of hand-rolling tobacco

last November. Some 10 per cent of the shipments had been seized by UK Customs and Excise officers.

The company won a temporary injunction late last week against Customs. The agency was ordered to stop seizing ETC's shipments and to return any goods it already held pending a judicial review of the law on May 5.

Customs argues that EU law requires consumers to import the goods themselves from low-tax countries. ETC argues the law allows a consumer to appoint an agent to arrange the shipment. If the court finds in ETC's favour, the UK government could lose part of the £5bn a year it collects in cigarette excise duty and VAT.

"It's crazy that mail order distance selling should be allowed," the Tobacco Alliance representing independent UK tobacconists said yesterday. "Thousands of corner shops, newsagents and village stores will have no alternative but to

close as customers flock to buy cheaper tobacco products."

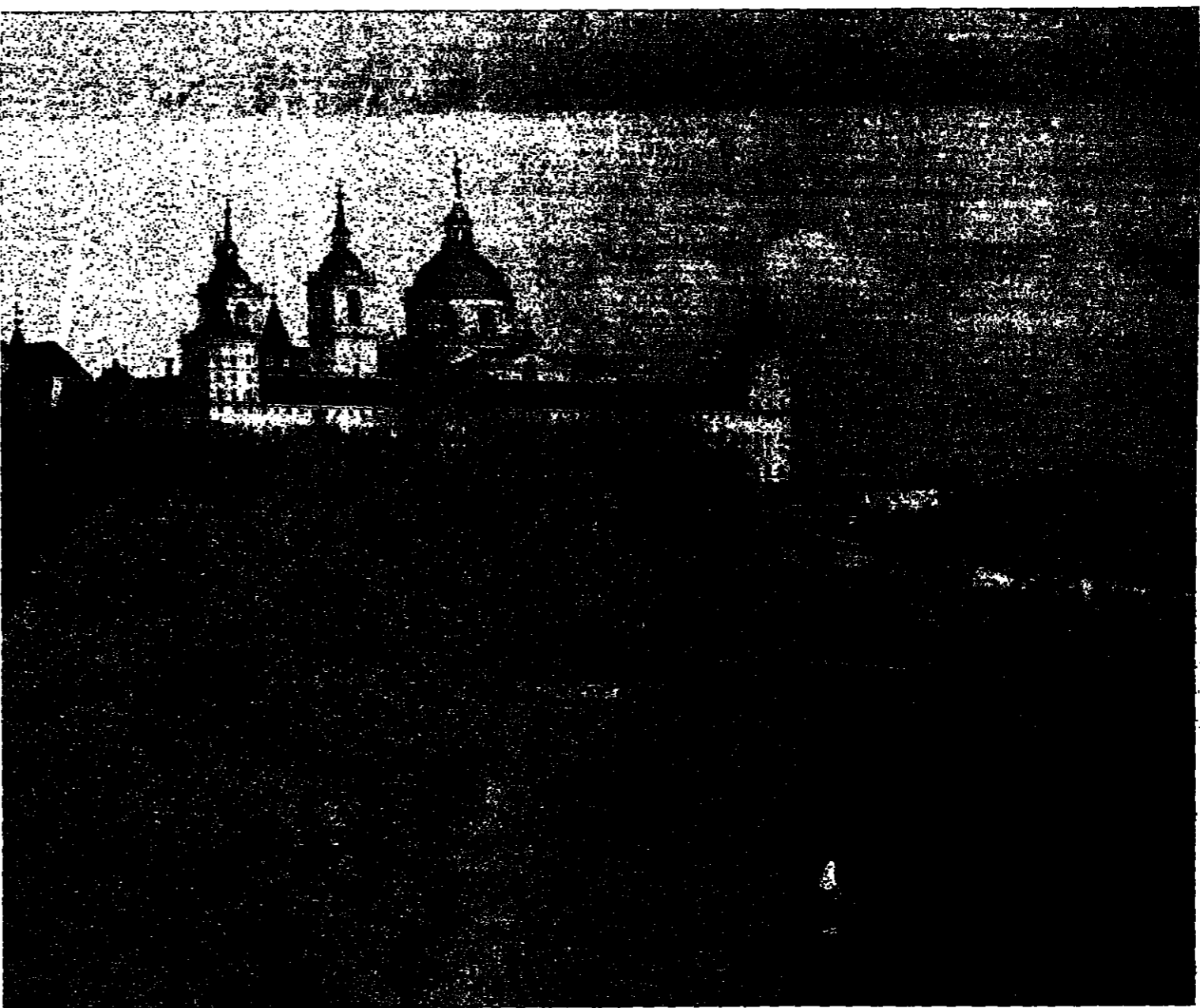
The case could take some years to be resolved if it goes as far as the House of Lords in the UK or to the European Court of Justice.

Pending the May 5 case, ETC's subsidiary Tobacco Direct is free to conduct business. It has distributed some 1.5m fliers through newspapers and magazines for its own brands and has launched a newspaper advertising campaign for branded cigarettes.

It is offering, for example, packets of Silk Cut at £2.15 and Benson and Hedges at £2.18 against a UK list price of £2.75. The tax saving is larger but ETC has to cover costs such as transport and bad debts, it said. Larger discounts are available on its own brands.

Customers can order up to 800 cigarettes a time or a maximum of 5,000 a month, a limit set by ETC to meet EU requirements that the cigarettes are for personal consumption.

La Herreria Golf Club, El Escorial, Madrid. There are around 260 courses in Spain set in a variety of landscape, including the one at Valderrama, Cadix, host of the '97 Ryder Cup



It's possible to play golf in a monastery in Spain. Other courses settle for the roar of the surf behind the green. Or a mountain range or two to help line up your tee shot. With so many to choose from, you'd be hard pushed to find an unscenic course. And playing all year round with the sun on your back, the only time you'll feel below par is when you look at the scorecard.



Passion
for life

PHARMACEUTICAL BUSINESS NEWS

The twice-monthly newsletter for the pharmaceutical industry

- Find out about your competitors' activities and financial status
- Monitor developments in R&D
- Identify potential business and investment opportunities
- Follow government regulatory movements
- Keep up-to-date with the latest deals and moves in the market place

For more information and a free sample copy, contact:

FT Newsletters, P.O. Box 3651
London SW12 8PH
Tel: 081 673 6666
Fax: 081 673 1335



FINANCIAL TIMES
Pharmaceuticals & Healthcare Publishing

MESH TECHNIQUE

HERNIA Repair

Performed as a day case under local anaesthetic by Specialist Hernia Repair Surgeons.

Fast, effective treatment ensures your rapid return to normal.

Overnight stay available in our private hospital.

Affordable all inclusive fees, DHA Registered.

For further details phone:

The London

Hernia Centre

071-328 1228

A Division of The West Hampstead Clinic, Established 45 years

INTERNATIONAL PEOPLE

Change at Sheraton franchises

■ S Kirk Kinsell has joined ITT Sheraton, from Holiday Inn Worldwide, as president, franchise, for 200 ITT Sheraton properties in North America. ITT intends to seek a New York Stock Exchange listing for its franchise operation.

■ Ira Siegel, president of Reed Reference Publishing, chief executive of Lexis-Nexis, Reed Elsevier's recently acquired electronic database. Nigel Stapleton, Reed Elsevier's chief financial officer, becomes chairman of the Lexis-Nexis executive board. He replaces Herman Bruggink who becomes chairman of the executive board of Elsevier and co-chairman of Reed Elsevier when Pierre Vinzen retires next month.

■ Pierre Lamy, an economic and financial consultant, a vice chairman of Domtar, the Canadian forest products group, and chairman of the executive committee.

■ Jacques Boubal has replaced David Suddens as chairman of DMC, the French textile group.

■ Lars Ohlsson-Leijon, executive vice president of Saab-Scania, executive vice president and head of finance of the Scania Group.

■ David Higgins has replaced John Morschel as chief executive of Lend Lease, the Australian financial services firm.

■ John Keogh, who joined Credit Lyonnais last September, has resigned as head of the group's capital markets division.

■ Robert S Thomason, a former managing director of Quaker Oats in the UK, chief financial officer of Quaker Oats. He replaces Terry G Westbrook, 48, who has resigned. Barbara Allen, 42, vice president corporate planning, succeeds Thomason as executive vice president, international food products.

■ Jacques Nouvel, 55, has replaced Guy Berard as London representative of the Paris Bourse.

■ Robert S Ojanmaa, 54, commercial director of Schaubman Wood, part of Finland's Kymmene Corporation, takes over as Schaubman Wood's chief executive at the end of the year when Risto Lahteenmaki, 63, retires.

■ Peter Oakley, 42, who has been responsible for BASF's North American agricultural

business, head of BASF's crop protection division. He replaces Klaus Deichner who becomes head of information systems division.

■ Akira Irie, a managing director of Lehman Brothers (Japan), has joined BZW as head of investment banking in Tokyo.

■ Eli Lilly and Company has named three new directors: Alfred G Gilman, a Nobel prize winning doctor, Franklyn G Prendergast of the Mayo Clinic, and Kathi P Seifert, group president for Kimberly-Clark's North American consumer products.

■ Gerald Hines, the Texas property developer, has recruited Olivier de Dampierre, a former managing director of Bouygues real estate, as director-general of Hines Holdings France.

■ Keith Rattie, 41, who has spent 18 years with Chevron, has joined Coastal Gas Services as a senior vice president with responsibility for international gas project development.

■ Ron Stanley, 47, senior vice president and general manager of Royal Bank of Canada's European operations. Stanley, an American who has been responsible for Royal Bank's large corporate and government clients in Canada, replaces David Pritchard, 50, who has joined the UK's TSB.

■ Anne T Kavanagh has replaced James O'Donnell as head of NatWest's North American equity division. NatWest Securities, O'Donnell has been appointed chief executive of HSBC Securities in New York.

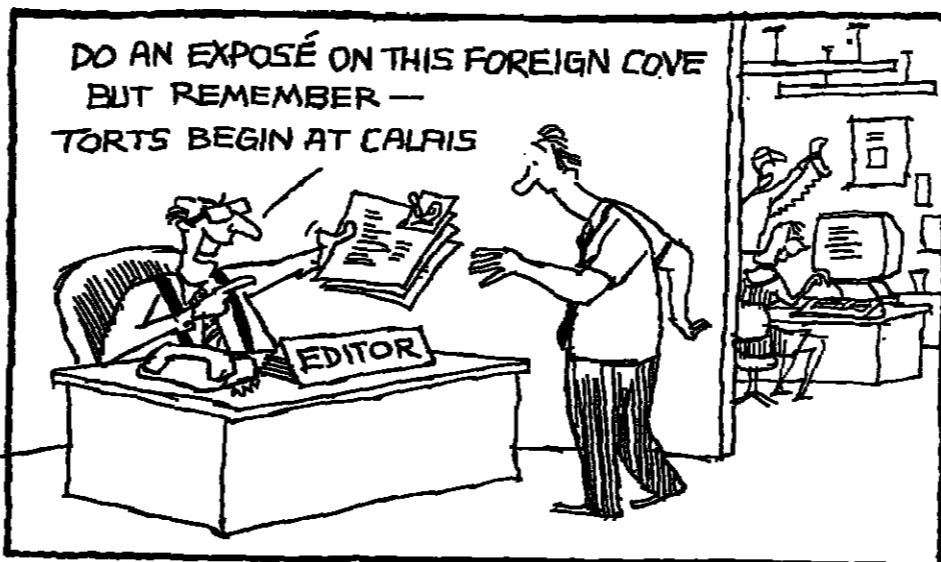
■ Peter Gelb, who joined Sony Music in 1993 from Columbia Artists Management, president of Sony Classical, the worldwide record label. Jean-Hugues Allard, head of international marketing at Erato Records, joins Sony Classical in Hamburg as an executive vice president with responsibility for artists and repertoire and international marketing.

■ C Randy Ellington, 43, who joined Bowater Incorporated in 1987, divisional vice president newspaper sales.

International appointments

Please fax announcements of new appointments and retirements to +44 171 873 3926, marked for International People. Set fax to 'fine'.

BUSINESS AND THE LAW



Boundaries mapped

Robert Rice on the validity of foreign laws abroad

The new trial was held in March 1992. The judge instructed the jury that under English law Mr Matusевич's letter was presumed to be false, that he bore the burden of proving otherwise, and that if he failed to prove that, he was strictly liable for what he had written regardless of whether he believed it to be true or not. The jury found in Mr Matusевич's favour and awarded \$240,000 in damages.

In March 1993 Mr Matusевич received a letter at his home in Maryland demanding payment of the judgment. He applied to the US district court for the judgment order to be set aside on the basis he had been denied rights of privilege and immunity under the US First and Fourteenth Amendments, which protect freedom of speech. The district court ruled that before a foreign judgment can be enforced in the US, it must be recognised by the state in which the plaintiff is seeking to enforce it.

The court said that on two occasions US courts had failed to recognise English libel judgments on public policy grounds. It also said that English libel standards were repugnant to the public policies of Maryland and the US and refused to recognise the judgment.

In the UK the defendant has to prove that allegedly defamatory statements are true and the plaintiff is not required to prove malice. Because the law presumes defamatory words are false, a defendant could be held liable for statements which he or she believed to be true and which were published without negligence.

However, in the US, it is for the plaintiff to prove the statements were false and the courts will look at the defendant's state of mind and intentions. Because of this, said the court, to recognise and enforce the English judgment would deprive Mr Matusевич of his constitutional rights.

Furthermore the US courts look at the context in which the statements were made. In this case the English judgment was based on instructions to the jury to ignore context. The court said, however, that if Mr Matusевич's statements were read in context, a reader would be aware that the statements were opinion and not an assertion of fact.

The US has long provided constitutional protection to those who criticise public officials by providing that they must prove malice to recover damages for defamatory remarks relating to their official conduct. This was extended in 1987 to cover a person not usually in the public eye who nevertheless enters a

particular public controversy and thus becomes a "public figure" for a limited range of issues.

Mr Matusевич had described himself as a prominent activist for human rights in the former Soviet Union and was therefore a limited public figure on that issue, the court said. That entitled Mr Matusевич to all the constitutional safeguards concerning speech used against public figures.

British lawyers believe the Matusевич case leaves English libel law very isolated. Mr Braithwaite warns that if English law stands out from the rest it will be a magnet for litigation from abroad and the risk of conflicts with other jurisdictions refusing to recognise or enforce English libel judgments can only increase.

Two recent decisions by the Australian High Court have introduced a "public official" defence similar to the US defence into Australian law. Mr Braithwaite says: "In an ideal world [the UK] parliament would legislate to introduce such a defence. But it is so manifestly against their interests to legislate to encourage media scrutiny of their conduct that it seems judicial legislation is the only way forward."

England still needs its libel law, Mr Braithwaite says, but with some constituent parts, from other countries.

Competition decision stayed



In the first case to be brought before the European Court on the interpretation of competition rules applying to liner conferences and the practice of intermodal tariffing, the Court of First Instance last week partly suspended the operation of a Commission decision.

The decision was suspended insofar as it prohibited the relevant shipping lines from jointly exercising rate-making authority in respect of inland sections within the Community of through-intermodal transport services.

The case concerned the Transatlantic Agreement, under which certain liner shipping operators provided transatlantic international liner services for the carriage of container cargo.

The TAA contained rules on establishing freight rates, on services contracts under which customers undertook to ship a minimum quantity over a given period in exchange for a lower than normal rate, and on a capacity management programme designed to limit the supply of transport in order to stabilise the market.

The freight rates covered by the TAA related to maritime transport and to through-intermodal transport; the latter covered the transport of goods across both sea and land to or from a point inland.

The agreement was notified to the Commission in August 1982 for exemption from EC competition rules. In October 1994, the Commission decided TAA provisions relating to price-fixing and capacity management infringed the EC competition rules, that no exemption from it be granted, that the unlawful practices be terminated, and that the shipping lines refrain from any agreement or concerted practice with a similar object or effect.

Finally, the lines were required to inform customers with whom they had concluded service agreements that they were entitled to renegotiate the terms of those contracts or to terminate them forthwith.

The shipping lines brought an action before the CFI for

annulment of the Commission decision and by separate application, sought suspension of the decision insofar as it precluded them from exercising joint rate-making authority on the inland sections within the Community of through-intermodal transport services.

For interim measures to be granted, applicants have to show urgency and a *prima facie* case for suspension. As to *prima facie* case, the Court found that at least some of the arguments put forward by the lines appeared to be relevant and not entirely ungrounded.

As to urgency, it was necessary to demonstrate a risk of serious and irreparable damage. The Court found that the Commission decision, if applied, would have the immediate effect of preventing the shipping lines from pursuing the practice of jointly fixing through-intermodal rates which had been current in Europe since the early 1970s.

The lines argued the interruption of this practice would lead to a general collapse of maritime transport rates. The Court found a drop in prices in that sector could have a big effect on the level of rates charged which in turn could affect the regularity of maritime transport.

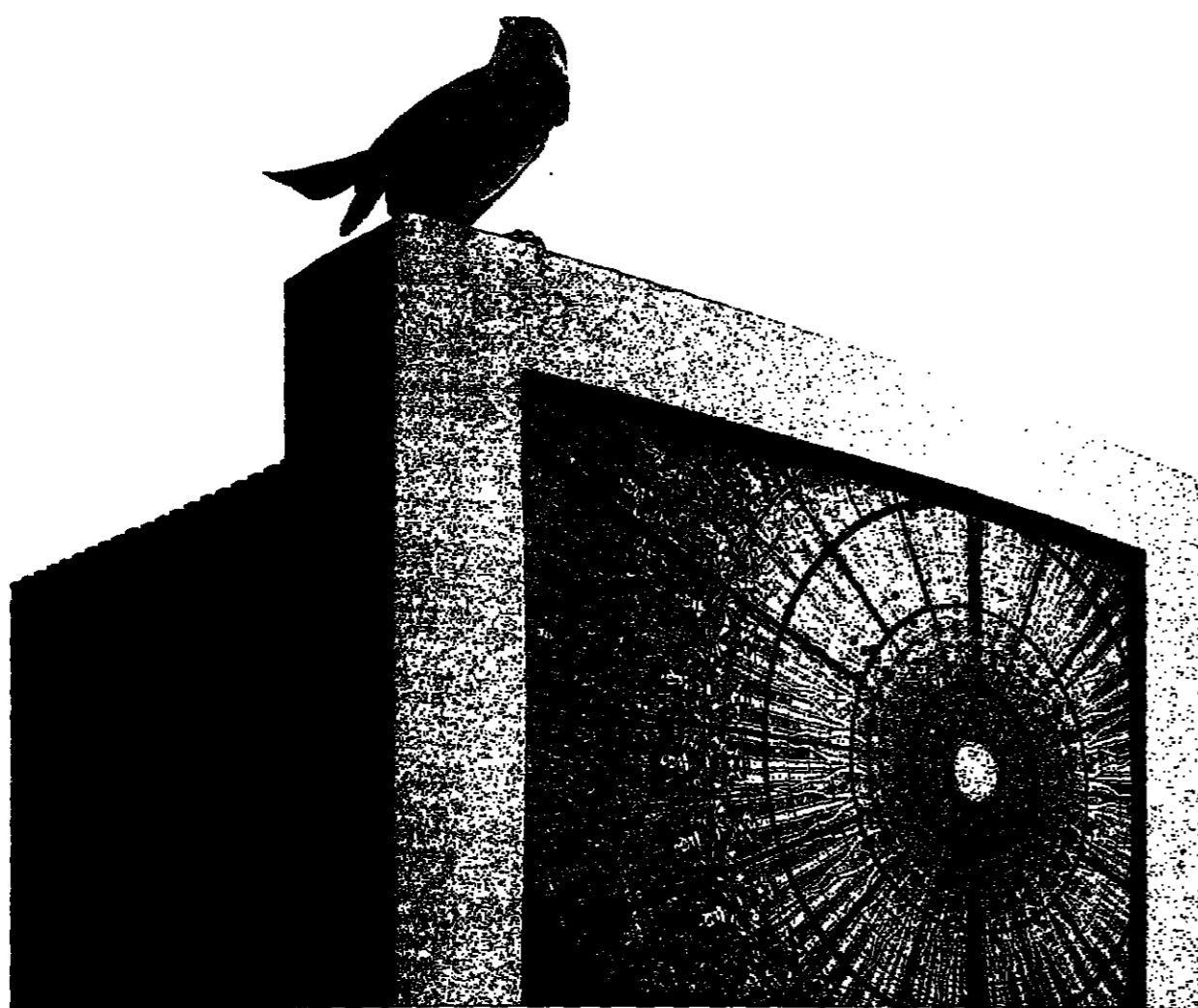
It also found there was a danger some carriers could disappear from the market. Such effects, the Court held, implied big changes to the framework in which shipping lines operated which might be difficult to reverse if the main annulment action succeeded.

As the immediate application of the Commission decision risked irreparable damage to the shipping lines and compromising the stability of the market, the Court said the balance of interests required that the operation of the Commission decision be suspended insofar as it prohibited the lines from jointly exercising rate-making authority in respect of inland segments in the Community of through-intermodal transport services.

T-393/94 R: *Atlantic container Line AB and Others v Commission: Order of the President, CFI, March 10 1995.*

BRICK COURT CHAMBERS BRUSSELS

C&C for Human Potential



NEC.

The technology of happiness.

One of the best ways of finding happiness is living up to your potential. Whether in business, the arts, or the sciences, NEC is a company dedicated to human potential, creating technology that elevates you to the upper reaches of your abilities. From PCs and chips to the latest in multimedia technology. Find a creative solution. Process new information. Develop artistic expression. Reach your full potential. It's the key to happiness. And the spirit of NEC.



NEC

Japan 1995

MANAGEMENT

Easdaq gets a step closer

Enthusiasm grows for a European Nasdaq, reports Richard Gourlay

Venture capitalists and securities dealers meet in Geneva tomorrow to take Europe a step closer to opening a version of the Nasdaq market, which has successfully raised capital in the US for dynamic young companies.

It is the first time the European Association of Securities Dealers (EASD) has met since it was formed late last year with the aim of setting up the Easdaq market at the start of 1996.

The enthusiasm for Easdaq among dealers and private equity investors is undiminished, despite the launch of an Alternative Investment Market by the London Stock Exchange last month and news from Paris that the French bourse is planning something similar. Yet the association is discovering the devil in the detail, running into a number of mainly regulatory obstacles that could reduce Easdaq's chances of success.

The rationale for trying to establish a pan-European stock market for dynamic young companies is well rehearsed. A steady stream of mainly technology-based European companies is crossing the Atlantic to seek a Nasdaq listing. Some estimates suggest as many as 100 companies are talking to US brokers about Nasdaq listings. This flight depletes Europe's indigenous technology base and its ability to create jobs because many of the companies raising capital relocate to the US, according to the European Commission.

From an investor's point of view, creating a more active market in young company shares than now exists in Europe would provide an easier way to realise their investments in private companies. Professional investors argue a better established exit route would encourage them to be more enthusiastic about investing in budding companies in the first place.

The main problem for Easdaq revolves around whether companies floating on the exchange would have full "listed" status or would simply be "accepted for trading" or "quoted". Under EU law, a

company can only be officially listed in a member state if it has a three-year trading record. Many of the young companies seeking capital would not have that record.

There is a deeper problem with listing. The Investment Services Directive, which comes into effect in 1996, gives brokers authorised in one market a "passport" to operate in all other countries. It will also provide a passport to the Easdaq exchange - once approved in the Netherlands, for example, it will be a recognised market throughout the Community.

Yet the new rules mean that acceptance to a list in one country would not confer "listed" status throughout the Community. Regulators are worried that there would be confusion about which body had the competence to oversee a market with multiple official lists.

A simpler option would be for Easdaq companies merely to be "quoted". Companies seeking a quotation would produce a prospectus for approval by a regulatory authority in one member state - the Commission des Opérations de Bourse in France or the Securities and Investment Board in the UK, for example - and brokers could then market the company throughout Europe with the passport provided under the Prospectus Directive.

But in the past, institutional investors have tended to limit their investment in unlisted companies or not invest at all. If these institutions stayed away because Easdaq companies were only "quoted", Easdaq would lose a valuable source of liquidity.

The problem is not insurmountable for Easdaq. One option is to have a split market. One section would have companies listed in a limited number of countries and another part of the market would provide companies access to a quote.

Whatever solution the EASD conceals will be subjected to an early market test. Fundraising for the first tranche of the Easdaq (£7.9m) equity needed to get Easdaq off the ground is likely to begin in earnest soon after this week's meeting in Geneva.

The common reaction on being told you have to wait is to think of taking your custom elsewhere. And yet last summer when the receptionist at a California restaurant told us that our table would not be ready for 30 minutes our party spent the time arguing about who would carry a vibrator in their pocket.

Until 10 years ago the restaurant industry fought shy of technological innovation. Outside the kitchen it was considered a low-skill industry where it was easier to hire, train and fire than invest in hardware or systems.

This began to change with electronic hand-held order pads. These transmit the order directly from the waiter to the kitchen by radio signal. Linked to a computerised billing system they control the food and beverage inventory and print the bills. Walk into the dining room of even somewhere as elegant as the Ritz, Piccadilly, and there is such a system, albeit one hidden from the diners by a marble casing.

It is therefore ironic that a simple piece of technology designed to tell waiters that their customers' food was ready for collection has not only swept through the American restaurant industry and is currently being introduced into the leisure divisions of the big British brewers but is also proving effective in maximising staff efficiency and shortening queues in American car dealerships, grocery stores, hospitals and even places of worship.

In the mid-1980s Dave Miller was running a busy restaurant on a waterfront in Florida. "On a Sunday we'd take \$40,000 (\$24,400). On Monday I'd play golf with my friends and they'd tell me how bad the service was." Miller turned to Ron Halliburton, inventor of the automatic dollar bill changer, for assistance.

Six weeks later Halliburton came up with a prototype using a games cartridge and the motor casing from a child's car. Plugged into the mains, operating on a low band radio frequency similar to an automatic garage door opener or a baby listener and with large, grease-proof buttons, this pager sent a radio signal from the kitchen to a pad attached to the waiter when the food was ready. Waiters could spend the rest of the time looking after diners and Miller immediately saw an increase in customers' average bills.

In 1989 Miller raised \$50,000 to form JTech in Pompano Beach and took a stand at the National Restaurant Convention in Chicago, which brought in \$70,000 worth of sales. Last year sales topped \$8m and will reach \$15m in 1995 with more than 35,000 waiter paging systems installed in the US from Marriott Hotels to Hard Rock Cafés. Having started in a 1,100 sq ft factory, JTech will later this year

Nicholas Lander on the latest electronic gadget to make waiting in restaurants less of an ordeal

Pager on the menu



The hand-held order pad notifies waiters when customers' orders are ready

move into a new 40,000 sq ft factory. JTech's appeal was its use of cheap, durable technology - a system for a 60-seater restaurant costs \$750 - and its simplicity. It might have stayed appreciated but unknown behind the swing door but

to patron paging. The receptionist would hand a pad to a customer and ask him to wait in the bar or anywhere within a quarter of a mile radius (this can easily be boosted with antennae such as those in use at Disneyland or by using JTech's

More unusual orders have come from an animal clinic where every announcement over the tannoy set the dogs barking

for the decision of one restaurateur to take the system out of his kitchen and into the reception.

Here the problem was too many customers and their reluctance to wait for a table. Now the paging system changed from waiter paging

new model designed for hotel room service).

Intrigued and charmed by the fact that their conversation was not interrupted by a loud tannoy system but merely by a gentle vibrating noise in their pockets, custom-

ers happily waited for a table. And they quickly began to think of how they could use these pagers, no bigger than a cigarette packet, in their own businesses to page staff or customers and consequently reduce noise pollution, a big concern in the US.

Pagers now contact staff in large car dealerships, invariably in residential locations, or nursing staff in hospitals. In Wal-Mart, one of America's biggest retailers, pagers are handed out to those waiting for a prescription or a film to be developed so that instead of waiting in a queue they can carry on shopping.

More unusual orders have come from an animal clinic in Chicago where every announcement over the tannoy set the dogs barking, from the Red Cross in Phoenix which now organises its blood donor visits to offices without disrupting their working day, and from a group of 200 churches. These run crèches during the service and distribute pagers to parents in case they need to be summoned to an unhappy child. The extra attendance and increased contributions to the collection plate have covered the cost.

During a visit to the US last year Adam Fawcett, managing director of Bass Leisure Entertainment, was handed a pager; for the past two months JTech's pagers have been in use at Bass's Hollywood Bowl in Tamilton, Somerset. Here, in addition to its more normal applications, pagers are used to summon the "lane patrolers" who deliver food and drink to the bowlers.

Bill Fawcett, Bass project manager, is convinced of their potential for the UK leisure industry, particularly given their low cost, and will introduce them next month into the Washington Bowl, Durham, where they will be handed to those waiting for a bowling lane. Fawcett's main concern remains that the pagers will not be handed back. This has so far proved unfounded, with only one going missing in Tamilton. JTech acknowledges this in its pricing, charging \$49 for a replacement pager instead of the normal \$99.

Miller attributes the success of his company to the creation and application of a highly flexible, low-tech product to an industry that would not even consider it if it were more sophisticated and more expensive. "We know that in the market place for silent pagers we're up against a giant in Motorola. But in this battle we like to think of ourselves as the Vietnam. Every so often we put our heads above the parapet and pick off a niche market. We've got 97 per cent of the patron pager market and 95 per cent of the waiter pager market in America." And, he adds in a real all-American vein: "As a company we're real, real aggressive."

Diesel finds a rival

A Danish company has developed a replacement for diesel fuel with very low soot and nitrogen oxide emission levels.

Haldor Topsoe, which specialises in catalyst engineering, says the fuel would be ideal for use in heavily polluted cities such as Mexico City or Bangkok. It can be produced from natural gas, coal or biomass.

The fuel is a colourless gas called dimethylether. DME is produced by dehydration of methanol for use as a propellant in spray cans. Topsoe, however, has developed a technique suitable for mass production of DME from natural gas.

Topsoe claims that a DME-driven diesel vehicle would have no problem meeting the stringent standards for soot particle and NOx emissions which will be introduced in California in 1998. No diesel engine using conventional fuel has been able to meet these standards. But DME would not reduce carbon dioxide emissions.

Topsoe's own results have been confirmed by Navistar, the US diesel engine manufacturer, and AVL, the Austrian vehicle research institute which specialises in testing diesel motors.

Neither the conversion of existing diesel motors to work with DME nor transport of DME pose problems, says Finn Joensen, a product leader at Topsoe. Conversion of existing engines to function with DME is a simple process. Transport would take place in pressure tanks using existing technology for gas transportation. But utilisation of DME requires large-scale production in plants producing 5,000-10,000 tonnes a day and costing \$400-\$700m to build. Even on this scale, the company estimates that DME would cost 10 to 20 per cent more than normal diesel fuel.

The production process developed by Topsoe uses steam reforming of natural gas, followed by conversion from the reformed gas into DME over a proprietary catalyst. Topsoe has notched up 12,000 hours of production in pilot plant.

Hilary Barnes

BUSINESS OPPORTUNITIES

READERS ARE RECOMMENDED TO SEEK APPROPRIATE PROFESSIONAL ADVICE BEFORE ENTERING INTO COMMITMENTS

OUR FLEXIBLE FUNDING CAN HELP YOUR BUSINESS EXPAND

With 'Packaged Finance' you can say 'YES' to:

- Flexible finance; increased financial headroom over your existing overdraft; maximising your sales; finance for export sales; stock finance to meet seasonal peaks in your cashflow; accelerated profit growth and a financier who fully understands your business.

If your business has an annual turnover of at least £1 million and you would like to find out how our flexible funding can help your business expand, please telephone John Jenkins today. **0181 727 2000**

TSB Commercial Finance Ltd, Boston House, The Little Green, Richmond, Surrey TW9 1OE.

NOTICE OF PROJECT

HUDSON-BERGEN LIGHT RAIL SYSTEM

Notifications are being sought from firms and consortia wishing to participate in the Hudson-Bergen Light Rail Project. The project involves the design, construction, equipment supply, operation, maintenance and partial financing of a 20 mile Light Rail Transit system to serve the communities of Bayonne, Jersey City, Hoboken, Union City, Weehawken and North Bergen in northern New Jersey. The first phase of the project will involve approximately 10 miles located primarily in the central, western and southern sections of the alignment.

The project will be undertaken on a turnkey basis and will require that the successful firm or consortia Design, Build, Operate and Maintain (DBOM) the system on a long term basis. FTA funds will be used, and some Contractor-supplied financing will be required.

This is not a solicitation for bids or proposals. NJ TRANSIT wishes to establish effective two-way communication with prospective major participants. Firms or consortia wishing to be considered as lead or principal supporting firms should contact the NJ TRANSIT Project Team by mail or fax to obtain a Notice of Project Response Form.

NJ TRANSIT
2 Journal Square Plaza
Jersey City, NJ 07306
Facsimile: (201) 420-8583
Attn: LRT Notice of Project Response Form

Requests for Response Forms will be accepted starting March 6, 1995. Firms are encouraged to submit request as soon as possible after the starting date.

Foothold in the EEC

Are you interested in acquiring a successful importer dealing mainly in textiles with good supply sources in Asia and a strong base of regular customers in Italy?

This small sized company has a longstanding and solid reputation, an excellent risk profile and very experienced and capable management.

An attractive opportunity for companies looking for a foothold in the EEC or wanting to expand their existing activities. Your reply will be treated in the strictest confidence.

For more information please contact **MERCURI URVAL**, 25, Rue de la Paix, Centre des Affaires, Palais National, 75001 Paris (France). Tel: 01 42 55 11 22. Fax: 01 42 55 02 65.

AUCTIONS

EQUIPMENT NO LONGER REQUIRED IN THE CONTINUING OPERATIONS OF

DIGITAL EQUIPMENT CORPORATION
Westfield, MASS, USA

ULTRA MODERN SHEET METALWORKING PLANT
AUCTION 29 & 30 March

For details contact:
NORMAN LEVY ASSOCIATES INC
CONVENTRY
Tel: 01203 632 277
Fax: 01203 632 226

In conjunction with **JOSEPH FINN & CO INC**, Newton, MASS, USA

MINIMUM £1,000,000

We are Corporate Finance Consultants, established in 1974. With a major UK institution, we will consider quality Financing Proposals in the UK and Internationally.

Principals only should write to: **James S. Maude & Company**, 75-77 Moscow Road, London W2 4XW. Fax: 0171 221 1196

INTERNATIONAL FUND NEEDS

INVESTMENT BANKERS to deal with high net worth individuals, trusts, insurance co. and funds. Excellent compensation and benefits. Must have 10 yrs experience. Fax resume New York 212-758-6137

Does your business need equity capital? We can help. Tel: 0181 727 2000

BUSINESSES WANTED

WANTED

SPECIALTY CHEMICAL AND ENGINEERING MANUFACTURING COMPANIES

We are seeking acquisition opportunities in the UK and Europe. Profitable companies in the £5m to £50m /y category where highly skilled technical/financial/marketing resource can help to increase profitability.

Please send details to include 3 years audited accounts to: **Box B3654, Financial Times, One Southwark Bridge, London SE1 9HL**

PERROTT ENGINEERING GROUP LIMITED

Seeks further compatible businesses e.g. fan manufacture, air conditioning equipment, dust/fume control, laboratory equipment. Turnover say £1m to £4m. Current profitability not critical. Principals only please write in confidence to:

G.L. Perrott (Chairman), "Woodroff", Lightcliffe, Halifax, HX3 8PS.

BUSINESS OPPORTUNITIES

WANTED SMALL CARGO VESSEL

Carrying capacity between 300-500 metric tons.

CONTACT **CHECKPARK LTD**
Tel: 0181 840 3777 Fax: 0181 567 1063
TLX: 36296 MOHME-G.

OFFICE EQUIPMENT

COMPUTER CO

MOVES SURREY H.Q.

Large quantity of quality furniture project & paragon L/oak desks rosewood desks giroflex chairs, reception seating. Large cupboards & conference tables. All in very good condition may be viewed in Kingston or in the City.

RING
0181 549 4848
OR
NORTH OF ENGLAND 01642 223353

OFFICE FURNITURE

Due to city bank order postponement we have a large quantity of quality executive and system ranges - conferences and receptions. Large choice of veneers: (Walnut, Rosewood, Ash etc.)

with discount of up to 40% from R.R.P!

London Showroom for viewing
Please contact
LINEABURO LTD Tel: 0992 504530

CANCELLED ORDER OF EXECUTIVE FURNITURE ALSO BANKRUPT STOCK - NEARLY NEW FURNITURE

	RETAIL	DISCOUNT PRICE
Oak and Grey Desks (New)	£ 288.00	£ 182.00
Executive desks in Cherry/Light Wood (New)	£ 818.00	£ 228.00
Oval Board Tables, 8-10 people (New)	£ 1,595.00	£ 215.00
Only Cherry Maple, 10-14 people	£ 2,400.00	£ 998.00
New Light Oak/Grey desk/drawers/pedestal	£ 795.00	£ 275.00
Nearly new Light Oak Timber Storage Units inc. filing and shelves	£ 965.00	£ 228.00

Many chairs and other complimentary stocks available
Tel: 0171 402 1339 Fax: 0171 706 0998

JOIN IN A GRAND NATIONAL TOUR

Noel Coward's spellbinding pageant of British life, "CAVALCADE", will be touring Number One theatres this year in a spectacular production involving 300 extras.

For details of how to invest in this production, please contact **Lorna Anderson, King's Head Theatre, 115 Upper Street, London N1 1QN. Tel: 071 226 8561**

Investment in the theatre is highly speculative. This advertisement has been approved under The Financial Services Act (1986) by a company regulated in the conduct of investment business by The Law Society.

THE WORLD'S MOST EXCLUSIVE MAIL-ORDER COMPANY is looking for Sales Representatives

If you have contacts to manufacturers of luxury goods and would like to procure advertisements for our annual catalogue, then you are the right one for us. We are looking for freelance representatives used to working on a success commission. Please send us your complete application with photograph, explaining how you would be an asset to our company.

Danville International GmbH
Eisenbahnstrasse 14
D-40217 Düsseldorf

PUB COMPANY - £2M REQUIRED

PLC or Investor Required to provide backing of up to £2 million (security available) to allow experienced operators to take advantage of urgent opportunity. By using a tested different approach we have an almost guaranteed profit. The company will start life with a £10 million turnover and projected profits of £1.2 million. Strong cashflow will reduce the initial exposure rapidly.

Write to: **Box B3658, Financial Times, One Southwark Bridge, London SE1 9HL**

OFFSHORE COMPANIES BY LAWYERS

IMMIGRATION & TRUST EXPERTS

OFFSHORE TRUSTS, COMPANIES, BANK INTRODUCTIONS, NOMINEES & ADMINISTRATION BY UK LAWYERS

£ 1,000 (ONCE) £ 1,000.00
£ 1,000 (ONCE) £ 1,000.00
£ 1,000 (ONCE) £ 1,000.00
£ 1,000 (ONCE) £ 1,000.00
£ 1,000 (ONCE) £ 1,000.00

SCF
INTERNATIONAL TRUSTS MANAGED BY US
LONDON OFFICE
25 Abchurch Lane, London EC4N 3DF
Tel: 0171 322 2274 Fax: 0171 322 2275

UK FREEPHONE 0800 262856

BECOME A PROFESSIONAL FUTURES & OPTIONS TRADER

We have the know how, training and success to show you. (Home study or seminars available.) Full/part time, run from home. For free info pack call **Techno-Trade 0181 508 9323**

SEEKING EQUITY CAPITAL? Reach 1000 investors and Business Angels for only £120 + VAT. The AP Business to Business Bulletin 0171-434 9982.

PROJECT AND COMMERCIAL TRADING suitable to UK and international clients. Anglo American Group Plc. Tel: 01924 201 365 Fax: 01924 201 377

LOOK EAST!

Several Hong Kong and Taiwanese companies seeking joint venture partners/ acquisitions with established European electronics/telecommunications companies. Interested? Send full details to **Box No. B3657, Financial Times, One Southwark Bridge, London SE1 9HL. Attn: Nick King, European Director. Marketing International.**

WANTED PROPERTY COMPANIES

- Investment or development
- High yielding property portfolios
- Midlands, North, North West preferred
- Substantial funds available

Details to: **Tony Longworth**
Wander Group, Colchester, Pepper St. Chelmsford, Essex, SK11 9BG
Tel: 01262 861236 Fax: 01262 861800

BUSINESSES FOR SALE

On the instructions of Messrs. A. J. Barrett & A. V. Lomas - Joint LPA Receivers

BYRON HOTEL
QUEENSBOROUGH
TERRACE, LONDON W2

- Totally refurbished in 1988/89
- 42 en suite letting bedrooms
- Established trading record

Offers in excess of £2,000,000 for the freehold property, subject to contract

Contact Derek Gammage or Dominic Murray

HOTEL TRIA
ST STEPHEN'S GARDENS
LONDON W2

- 41 en suite letting bedrooms
- Overlooking attractive gardens
- Possible alternative uses

Offers in excess of £1,000,000 for the freehold property, subject to contract

LONDON
0171 629 8171Knight Frank
& Rutley
INTERNATIONAL20 Hanover Square
London W1R 0AHMAIL ORDER/LINGERIE
COMPANY FOR SALE

London based mail order and retail business. Sales turnover £300K and rising at high gross margin, yielding an excellent return to owners. Enormous list of regular purchasers kept on computerised database.

OFFERS INVITED

For further details apply to:
HENRY I PERLOW
TELEPHONE: 0181 907 9894

PRECISION ENGINEERING
unique opportunity in Cambridge

- Spacious machine workshop
- Quality plant and equipment
- Talented workforce
- Turnover of @£2.0m assured

For further information contact: Mr David Hill, The Hammond Partnership, 13-15 Folgate St, London E1 6BX, 0171 2476455

RESTAURANT
FOR SALE

3m FF.
Excellent location in Paris.
Tel/Fax 48 08 62 77
or Tel: 40 30 93 27

OPPORTUNITY TO PURCHASE BUSY
FRESHFOOD RESTAURANT located
west of London. 85 covers plus 100
external Apple kitchen and storage.
Additional Handwashing Station, and scope for
further expansion. Investment £250K.
2 bed app. above available £40K. Principals
only contact: 01753 891000. Fax: 01753 891000 for
further information

BUSINESS
FOR SALE
Due to Retirement

Company with 35 years
experience and turnover to
£2 million. Freehold premises
of 10,000 sq. ft. in Surrey fully
equipped with modern plant for
the design, manufacture and
erection of curtain walling,
window systems and rooflights.
barrel, ridge and vented.
Write to: Box 83655, Financial Times,
One Southwark Bridge, London SE1 9HL

FOR SALE
Contract Cleaning & Support
Services Company

Operating in London &
Home Counties.
T/O £5m good management
team and profits.
Write to: Box 83655, Financial Times,
One Southwark Bridge, London SE1 9HL

TRANSLATION
AGENCY

Old established London based
translation agency with blue chip
clients including banking,
insurance, pharmaceuticals,
publishing etc. Current turnover
approximately £120K. To be
relocated within the acquirer's
premises.
Apply to:
N A SHULMAN FCA
Jade Securities Limited, Acre House,
11-15 William Road, London NW1 3ER

TEXTILE CO.

Soft Furnishings Co. for sale.
Manufacture & Retail.
Established, Brand Name.
Turnover £5m, seeks merger
ideally within similar sector.
Send details of your
Company
and products to:
FINANCIAL CATALYSTS LTD.,
7A Church Street, Southwell,
Notts, NG23 0HQ

EXCEPTIONALLY ESTABLISHED
PROFITABLE BUSINESS
WITH SUBSTANTIAL PROPERTY

Situated in a prominent NW Town.
Easily managed with tremendous
scope for increased profits. Good
secure income suitable LCGT roll-over.
Profits circa £400K PA.
Principals only apply Box 83655,
Financial Times, One Southwark
Bridge, London, SE1 9HL

Business
Marketplace

The Comprehensive International
Business Opportunity Magazine
Businesses For Sale, Businesses
Wanted, Finance Needed, Auctions,
Tenders, Investment Properties,
Agents Wanted and Much More.
TO ADVERTISE OR
SUBSCRIBE CALL:
Tel: 01753 891000
Fax: 01753 890342

BUSINESS FOR SALE

Insurance Agent's Business

Levy Gee have been retained by a client to assist with the disposal of the above concern.

Principal features include:

- Multiple trading outlets in the North West of England.
- Established customer base with annual recurring fees.
- Long trading history. Mixture of freehold and leasehold premises.

All interested parties should contact John Hunt, quoting reference M0803,
at Levy Gee, Maxwell House, 33/341 Chapel Street, Manchester M3 5JY.
Tel: 0161-835 2845 Fax: 0161-832 9405

The Joint Administrative Receivers, C M Haig & J B Stephenson of Neville Russell

Offer for Sale the Business & Assets of Logic Industries Services Ltd.

COMMERCIAL CATERING EQUIPMENT
SERVICING & MAINTENANCE

also MECHANICAL SERVICES DIVISION

- Established Business with Broad Customer Base
- Fully Equipped Freehold Premises in Welwyn Garden City
- Strong Local Authority Approved Listing
- T/O to year end 31/03/94 (approx.) £1.308 million

Contact: Edward Symonds & Partners, Ref: M081

Tel: 0171 487 8454 Fax: 0171 483 1947

FLAMGARD (DAMPERS) LIMITED

(In Administrative Receivership)

P. L. Thurston and A. M. D. Bird, the Joint Administrative Receivers, offer for sale the business and assets of the above South Wales company.

Products:

- Mixed flow fans and dampers.

Suppliers to:

- Worldwide Oil Majors and various refinery/industrial projects in Europe and the Far East.

Turnover:

- Circa, £3 million.

Assets:

- Brand new purpose built 24,000 sq ft freehold premises in Newport, Gwent.
- Engineering and fabricating plant and machinery.
- Stock and Work-in-Progress.
- Significant order book with orders reaffirmed post-receivership for the next three months production.

Given the expressions of interest already received, only those prospective purchasers who are able to assess the business and complete a purchase within a short timescale should respond.

An information pack is obtainable by contacting Miss Sarah Bates for Mr P. L. Thurston, the Joint Administrative Receiver at Touche Ross & Co., Queen Anne House, 69-71 Queen Square, Bristol BS1 4JP. Tel: (0117) 921 1622. Fax: (0117) 929 2801.

Touche
RossBristol Trade
Director
International

FOR SALE

Well Established Yorkshire Packaging
and Manufacturing Company

Retirement of major shareholders presents this unique investment or purchase opportunity of a Blue Chip company.

This is an excellent opportunity:-

- To expand and integrate into other Packaging and Printing fields especially for the Food Industry.
- To invest and share in profits and growth
- To float on the Stock Exchange

Established over 25 years

Premium quality brand name

Based in attractive location

Stable and loyal workforce

Annual turnover circa £13M

Net Profit substantially in excess

of £1.1m per annum

Household-name customers

Strategically placed within easy

access to motorways

Freehold property

State of the art machinery and

equipment

For further details principals only should apply to c/o Paul Dumbleton,
Paul Dumbleton Solicitors, Lishman Chambers, 12 Princes Square,
Harrogate, North Yorkshire, HG1 1LY.

Tel: 01423 560532

Fax: 01423 561071



Paul Dumbleton

Authorised by the Law Society in the conduct of investment business.

BUSINESS SERVICES

ATTENTION COMPANIES

We are a leading building and project development company offering companies, interested in Germany, the following services:

- CONSULTING SERVICE: to recommend potential industrial and commercial projects, prepare feasibility studies including financial returns and to assist with all aspects of procurement
- PROJECT DEVELOPMENT: to act on behalf of companies requiring project development and Project Management Services.
- COMMERCIAL MANAGEMENT: offering property administration, Maintenance and Marketing services.
- JOINT VENTURES: to combine our Knowledge and experience in joint projects.
- BUILDING & CONSTRUCTION: to build and construct with a guaranteed fixed price contract.

AND YES, WE DO SPEAK ENGLISH!!

For details please contact Mr Karl Schindlegger, General Manager

Opel Wohn & Gewerbebau GmbH
Neuerwerkstraße 1
D-99084 Erfurt

Germany

Tel: 01049361/59010-0

Fax: 01049361/5901010

Premium offices
and services at a prestigious
address

Fully equipped and serviced offices available on a daily, weekly or monthly basis. Secretarial and translation services. Personalized telephone service. Meeting facilities.

- (A) VIENNA: tel: +43-1 534 39 666, fax: +43-1 535 03 67
- (B) BRUSSELS: tel: +32-2 536 86 86, fax: +32-2 536 86 00
- (C) ZURICH/BASLE/GENEVA/ZUG: tel: +41-1 214 62 62, fax: +41-1 214 65 19
- (D) LAUSANNE: tel: +41-21 641 13 13, fax: +41-21 641 13 10
- (E) DÜSSELDORF/AACHEN/BERLIN/COLOGNE/FRANKFURT/HAMBURG/LEIPZIG/MÜNCHEN/NÜRNBERG/STUTTGART: tel: +49-2105 420 999, fax: +49-2102 420 066
- (F) BARCELONA/MADRID/VALENCIA: tel: +34-3 414 1988, fax: +34-3 414 5043
- (G) PARIS/BORDEAUX/LILLE/LYON/ROUEN/RENNES/MONTPELLIER/MULHOUSE/TOULOUSE: tel: +33-1 40 21 9595, fax: +33-6 76 69 74 69
- (H) MILAN/ROME: tel: +39-2 4819 4271, fax: +39-2 480 13233
- (I) CASABLANCA, Sheraton: tel: +212-231 7678, fax: +212-231 5141
- (J) AMSTERDAM/UTRECHT/MAASTRICHT/THE HAGUE: tel: +31-20 520 75 03, fax: +31-20 520 75 10
- (K) LISBON/PORTO: tel: +351-1 35574 35, fax: +351-1 355 78 54
- (L) MOSCOW: tel: +7-095 157 7206, fax: +7-095 157 7442

WORLD-WIDE BUSINESS CENTRES® No 1 in Europe

Headoffice:
EUROPE, EBS AG, Bahnhofstrasse 52, 8001 Zurich
tel: +41-1 214 62 62, fax: +41-1 214 65 19
USA, Madison Avenue 575, Suite 1006, New York 10022
tel: +1-212 615 0210 fax: +1-212 308 98 34

ADM

Beratungs- GmbH
Consulting Ltd CoTrustee / Administration
Bookkeeping / Taxes CH

Your reliable Partner in
SWITZERLAND
for individual business support

Arrange your appointment with Mrs. H. Göttinger.

Lagerstrasse 14 / POB 2064 / CH - 8600 Dübendorf 2
Telephone ++41 (0)1 820 02 11
Telefax ++41 (0)1 820 02 31

SAVE ON INT'L
PHONE CALLS!

USA only 24p per min
Australia 40p per min
Ask about our low rates
to other countries!

FreePhone:

Call: 0800-96-4016

Fax: 0800-96-4015

Call USA: 1-206-216-6161

Fax USA: 1-206-216-6262

119 2nd Ave W, Seattle, WA, 98116, USA

INCORPORATE \$99
IN DELAWARE

• By phone in 5 minutes
• Free name reservation
• Serving business for over 15 years

Registered Agents, Ltd.

302-421-5753

ENGLISH-GERMAN (native) business
translations, int'l. marketing and labels.
HBS 0382 507 193

Save 50% On
International
Phone Calls

UK-USA Save 50% - 17p/min
UK-Europe Save 30% - 11p/min
UK-Hong Kong Save 40% - 44p/min
UK-Canada Save 50% - 22p/min
UK-Australia Save 50% - 27p/min
Savings Compared to R. Telecom
CALL NOW FOR DETAILS!
Tel 0181-690-5014
Fax 0181-568-2830
Dial Int. Telecom UK

JERSEY

CHANNEL ISLANDS

Wide range of offshore services
incl. the establishment,
management and administration of
Jersey and other offshore
companies and trusts.Please contact Clive Guilfoyle BSc,
ACA at Asbury Management
Services Ltd., 3 Bath Street,
St Helier, Jersey JE2 4ST, C.I.
Tel: 0334 307935
Fax: 0334 307936BILLINGSHURST
GARAGE LIMITED

The Joint Administrative Receivers offer for sale on a
going concern basis the business and assets of a
West Sussex motor dealership.

- Currently a Suzuki and Subaru main dealer
- Freehold property 18,000 sq ft and extensive
forecourt
- Planning permission for mixed use
- Modern fully equipped servicing, aftersales and
showroom areas
- 4x4 niche market in rural territory on A29,
Billingshurst
- Substantial second-hand car sales operation

For further information please contact
Vivian Balfour or Nigel Ruddock

ROBSON RHODES

RSM

Chartered Accountants International

The Galleria, Station Road, Crawley,
West Sussex RH10 1HY

Tel: 0171 865 2580 Fax: 01293 537921

Registered to carry on audit work and authorised to carry on
investment business by the Institute of Chartered Accountants
in England and Wales

Cash Register and EPOS
Systems Installation and
Maintenance Group

South East based established owner-managed group
with strong customer base, turnover £1/2 million per
annum and consistent profitability. Offers invited.

Write to: Box No. B3646, Financial Times,
One Southwark Bridge, London, SE1 9HL.

All Advertisement bookings are accepted subject
to our current Terms and Conditions, copies of which are
available by writing to

The Advertisement

Compliance Director,

The Financial Times,

One Southwark Bridge, London SE1 9HL

Tel: +44 171 873 3223

Fax: +44 171 407 5758

OFFER FOR SALE

A TEXTILE MILL IN NANYUKI (KENYA)

Offers are invited for purchase of the assets of a large
integrated textile mill located at Nanyuki and connected to
all the infrastructural services. The mill which is being sold
as a "going concern" and which produces a wide range of
cotton and blended fabrics has three main production
divisions:-

- A spinning department with a capacity to produce
2,000 tonnes of yarn per annum.
- A weaving department with a capacity to produce
8.4 million metres of fabric per year.
- A processing department with a capacity to process
11 million metres of fabric per year.

Other assets to be sold include land and buildings, office
furniture, equipment and spares and stocks of finished goods,
work-in-process and raw materials.

The assets are being sold free of all encumbrances.

A brochure containing full details may be obtained from the
undersigned. Closing date for bids is 15.3.1995.

J M GITHONGO/C M CHEGE

Joint Receivers/Managers

Githongo & Company

Certified Public Accountants of Kenya

Electricity House, 14th Floor, Harambee

Avenue, P.O. Box 47089 Nairobi, Kenya

Tel: 25206/7/8, 335073/4 Fax: 331068

LEGAL NOTICES

Notice of Appointment of
Administrative Receiver
THE CREATIVE CENTRE PRODUCTION
SERVICES LIMITED

Registered Number: 279657, Nature of Business:
Advertising Agency, Trade Classification: 37, Date
of Appointment of Administrative Receiver: 3
March 1995, Name of person appointing the
Administrative Receiver: Arthurs Latham &
Co Limited, Office Holders:
Barry David Lewis FCA MSP (No 2048) and
Robert P Watby FCA (No 6236)
Harris Lymann, 2 Montevue Court
210 Priests Barn Lane
Wharfedale, London N20 0YZ
Joint Administrative Receivers

Notice of Appointment of
Administrative Receiver
THE CREATIVE CENTRE LIMITED

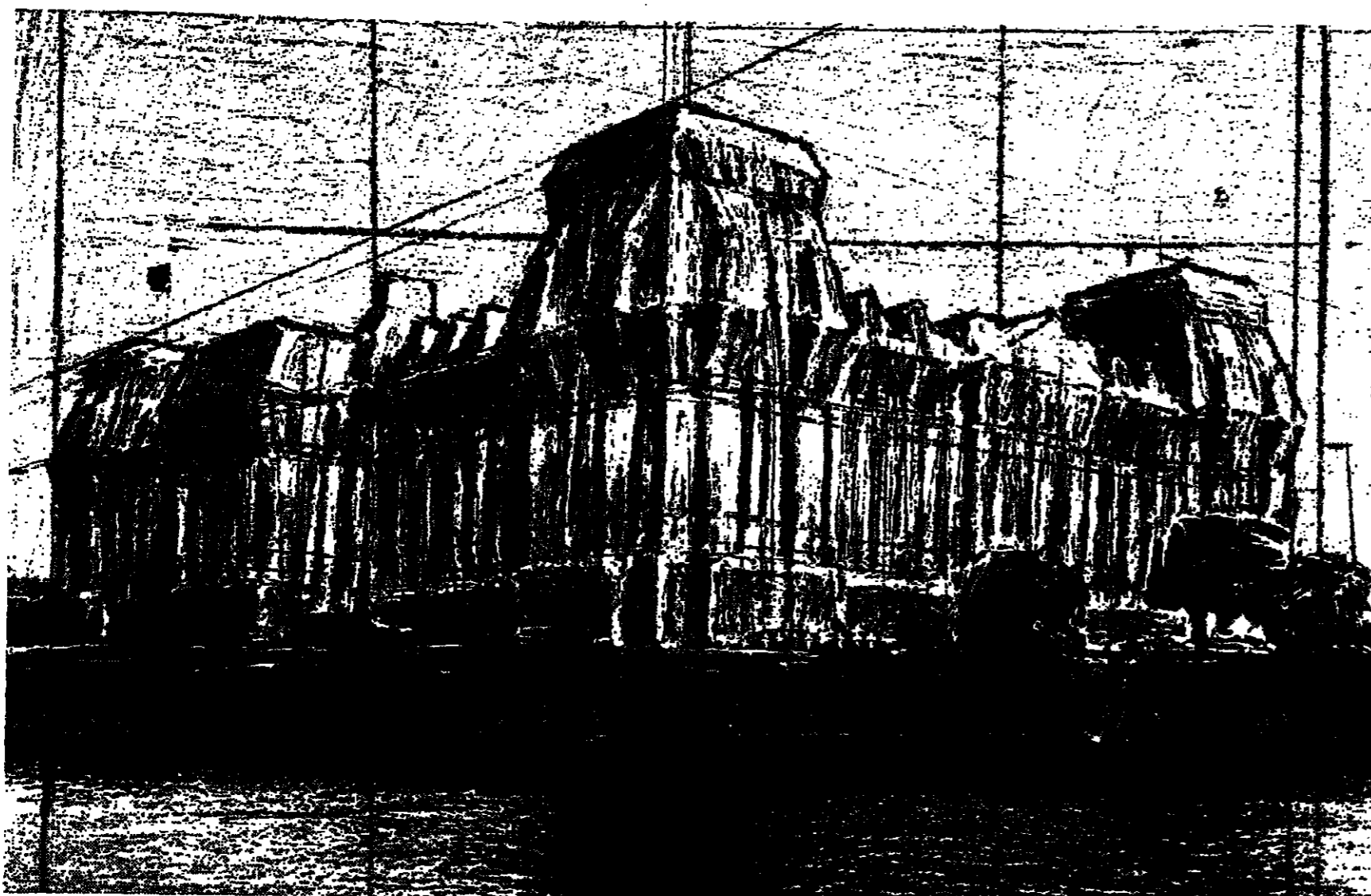
Registered Number: 252071, Nature of Business:
Advertising Agency, Trade Classification: 37, Date
of Appointment of Administrative Receiver: 3
March 1995, Name of person appointing the
Administrative Receiver: Arthurs Latham &
Co Limited, Office Holders:
Barry David Lewis FCA MSP (No 2048) and
Robert P Watby FCA (No 6236)
Harris Lymann, 2 Montevue Court
210 Priests Barn Lane
Wharfedale, London N20 0YZ
Joint Administrative Receivers

To Advertise Your
Legal Notices
Please contact
Tina McGorman
on

Tel: +44 171 873 4842

Fax: +44 171 873 3064

ARTS
GUIDE



One of Christo's impressions of his proposal for wrapping the Reichstag in Berlin, now scheduled for late June

The art of wrapping up

William Packer discusses conceptualist Christo's latest projects

Conceptual art, in which the form is secondary to the informing idea, may seem affectually abstruse to many people. A more generally acceptable variation upon that theme, perhaps, is that of the working drawing or proposal for a physical project as yet unrealised. It is in this sense that sculptors and architects, unsuccessful ones especially, are conceptual artists all the time.

Christo, the Bulgarian-born sculptor, working with his French wife, Jeanne-Claude, clearly has the happy knack of persuading civic and political authorities to join him in bringing even the most grandiose of his schemes about. Those who remember his Running Fence of 1976, for example, 18 feet high and nearly 25 miles long through southern California, or his wrapping up of the Pont Neuf in Paris ten years ago, will know what I mean.

His proposal to wrap up the Reichstag was first mooted in 1972, when the Berlin Wall was as sure as, well, Barings Bank, so he is nothing if not persistent. Lately the German parliament debated its permission, and now the project is at last to go ahead, with the grand unveiling - which is not the word I want: the tying of the bow, perhaps - scheduled for late June.

The working model is impressive, but

the large working drawings are the more dynamic, giving the truer sense of scale and something of the energy and ambition of the undertaking. Having seen the Pont Neuf as a parcel, one has every confidence that the Reichstag will serve, if anything, even more spectacularly.

We are well used to seeing famous buildings screened in the course of cleaning or restoration. But there is a difference between such partial and purposeful occasions and the true Christo, the whole purpose of which is to wrap up, simplify and obscure. For the parcel is a magical, mysterious device, that can fire at once the infant imagination, and the most sophisticated. What is inside, with all those lumps and bumps? And even if we know full well, we can hardly wait to see again.

It is the old paradox of celebrating by taking away, of becoming more aware of the reality by hiding it, if only for a moment. For those fortunate enough to see the Reichstag when it is wrapped up, its physical, objective presence will be unimaginably the more palpable when the wraps come off.

But wrapping is not the only way. As with the Running Fence all those years ago, a temporary physical intervention or interruption in the landscape may serve just as well to sharpen our particular awareness and experience of what is

already there. Two such projects are as yet unconfirmed. One is for an avenue of rectangular yellow gates or arches, 15 feet high with yellow sheets billowing from the crossbars, that would thread its endless way through the trees and spaces of Central Park.

The other is for an extended canopy of canvas sheets strung across the narrow valley of a youthful river - the drawings offer a number of rivers in western America as possibilities. The effect would be neither to impede nor obscure the stream, for the canopy would be high enough and broken, but rather to articulate and objectify its course as it hurries down. We shall see.

Jenny Okun from California is an artist whose medium until now has been photography, and whose work still remains founded in photographic imagery. Her immediate interest is in architectural detail, and in particular the interior structures of roofs, windows and surface reflections to be found in modern high-tech buildings.

Her formal interest, however, is rather less direct, for she then repeatedly overlays this primary material, building it up into a spatial image of almost Piranesian complexity, yet unspiced and abstracted. But there is nothing of that master's

doom-laden theatricality, her images ever as cool and elegant in conception as in expression.

She continues in part to work directly with the photographic print, but lately she has also been developing her imagery in both graphic and sculptural terms. She takes the photographic image and reduces it to simple linear structure, drawn directly upon the wall. She reduces it to flat tones and colour, which abstracted image is then realised as a computer-generated print, using the latest iris water-jet print technology. Simplest of all, she takes an element of the linear image as silhouette for multiple sculpture, cut from inch-thick plastic, to which she adds colour and further selective detail.

The sense is of an accomplished artist at a critical transitional moment in her career, responding creatively to new formal and technical opportunities. The interplay between photography, drawing and print, particularly in relation to this new iris technology, with its extraordinary refinement of effect, is intriguing.

Christo & Jeanne-Claude: three works in progress. Anneli Juda Fine Art, 23 Dering Street W1, until April 29. Jenny Okun: Architectures, Rebecca Hosack Gallery Fitzrovia, 35 Windmill Street W1, until April 1.

finale, which under pressure turned frenetic - no doubt the orchestra was suffering fatigue after three weeks on the road.

Hakan Hardenberger's stream of melting tones in the Haydn Trumpet Concerto raised spirits considerably, and inspired stylish accompaniment from conductor and orchestra. In Mendelssohn's "Scottish" Symphony, these northerners found the measure of the sombre, brooding passages best, but after treading heavily in the earlier movements - and driven, perhaps, by the prospect of a well-deserved rest - they made a sprightly gallop for the end.

Presented with the assistance of the Government of Canada and the Canadian High Commission, London.

Concert/John Allison

Ottawa's bright orchestra

canmy appointment surely made in expectation of profile-raising recordings - in the NACO is expanding its repertoire in a contemporary direction.

Pinnock, best known in his native Britain as a harpsichordist and "period" conductor, has turned vigorous promoter of new music. The highlight of Sunday's concert was the first London performance of *Vertige* by the 38-year-old Canadian Linda Bouchard, the orchestra's composer-in-residence. Commissioned for this year's tour, *Vertige* is a six-minute piece of raw

energy that draws on natural images in a latter-day Sibelian way.

The orchestra's bright, almost hard sound - strings clearly articulated though not very distinctive in tone - is as one might expect of modern instruments under a "period" conductor. Ensemble suggests a close-knit group of musicians accustomed to playing together, though their unanimity was tried by Pinnock's hard-pushed account of Beethoven's Symphony No. 8 at the beginning of the evening. There was little "dash" about the

Dance/Clement Crisp

Mark Baldwin

Mark Baldwin, a fine dancer with the Rambert troupe in its earlier incarnation, has in recent years turned to choreography, to excellent effect. I might add that in earliest Rambert times, Dame Marie would have been goading, squeezing dances out of him just as soon as he showed the least interest in making movement - and perhaps even before that.

Well, the wait has been worth-while. From his first slight creations a few seasons ago, Baldwin has shown that he is a true choreographer - unlike so many of those graceless optimists who come before us with meagre technique and rampant pretensions, he has craft, imagination, wit, and a sense of formal structure.

Baldwin worked with several serious creators in his Rambert years. What he offers, though, is not earnest reminders of other men's steps, but something happily fresh and personal. And, rarest of joys in today's choreographic world, he feels no need to give us messages about life, despair, disease, or the dreadful plight of the oppressed.

Baldwin, with that fugitive from the Royal Ballet Jonathan Burrows, makes dance whose originality and very artistic existence owes much to a serious theatrical experience, and in this lies the strength of both their visions of what they wish their dance to be. Like Burrows, Baldwin is forging his own language, and like Burrows - whom he in no other way resembles - he knows what he wants to do.

There are two clear characteristics in what he creates, and they show like the best of deeds in his brief season at The Place last week. He has a dry, wit - shown in the structure of his work as in its manner - and he is intensely musical. Not for him a Mickey-Mousing step-for-note obedience. Rather does he find pleasure (and perhaps some amusement) in running counter to a score's surface while yet respecting its essential form and nature.

So, in his *Samples*, which is set to the Ravel *Introduction and Allegro*, the music's opening serenades are countered by wild activity for four dancers. Yet we soon notice that musical phrasing is matched by dance phrase, that the shape and pulse of the score has conditioned what the dancers do. It is a surprising,

and surprisingly happy realisation of the music.

These same qualities were apparent in two other pieces, set to Bartók's *Out of Doors* and a Handel concerto grosso. Baldwin's imagination matches, comments on - even makes jokes about - his music. (He is, in this, like Paul Taylor and Mark Morris, and like them he has musical taste far above the common run of his contemporaries). Movement can be unexpected. Baldwin sets his dancers curling, falling, leaping, following a gesture to unexpected conclusions, riding on and with the score in a symbiotic relationship. Faced with the mysteries of Bartók's night music, he creates a world of nocturnal mystery quite as beautiful as that in the piano-writing. In *Homage*, a cunning piece played in silence and, I'd venture, made as a tribute to Richard Alston, Baldwin creates phrasing as musical and feat as if there were an audible score.

The extra distinction of Baldwin's work is his use of fine dancers - including himself. (He sometimes appears as a quizzical master of ceremonies, not a little entertained by what is going on.) In this Place season he presents two extraordinary talents, Lynne Bristow and Paul Old, together with the admirable Deborah Saxton and Shelley Baker. The lovely Miss Bristow moves like an angel. In her Royal Ballet days she was a classicist's treasure by reason of her clarity and purity of style. In modern work - she has danced in most of Jonathan Burrows' pieces - dance pours through her in long, marvellously shaped phrases. Everything she does is fascinating, beautiful.

Paul Old, a superb dancer with Rambert, has similar distinction: his dancing is rich in its variety of pulse, harmonious. In a solo in *Homage*, and in *Concerto Grosso* (a work riven with marvellous quirks and shifts of activity, from mad tremblings to long swirls and swashes of energy), Old moves with splendid authority. But everything in the evening enhances the dancers, shows them at their best - another sign of good choreography.

Baldwin's dances have clear roots in his own performance past - Cunningham and Alston are points of reference - but they are unmistakably Baldwin's, because sophisticated in means, and unmistakably good.

Theatre/Sarah Hemming

Peace in Our Time

We are becoming accustomed these days to meeting Noel Coward in unusual guises.

Following Sean Mathias's provocative decoding of *Design for Living*, comes this rare sighting of Coward in patriotic mode. And a curious sight it is too. *Peace in Our Time*, written immediately after the end of the second world war, is a dramatic projection of what might have happened had England been occupied. Of course, we now know that Clive Dunn and company would have given Hitler what for the minute he arrived, but Coward was not privy to such intelligence. Alarmed by the behaviour of some of his acquaintances in occupied France, he set about imagining English behaviour under Nazi rule. The results (revised by the *Twentieth Century* for the 50th anniversary of VE Day) is bizarre, revealing and strangely compelling.

The first casualty of invasion, it seems, would have been the playwrights' sense of humour. *Peace in Our Time* is by no stretch of the imagination a good play, but by Coward's standards it is surprisingly clumsy; the plotting is crude, the dialogue stodgy, the characters are flimsily drawn and it is dated with sentimental and melodramatic moments. Yet, for all its faults, the play (seen at Richmond Theatre) is fascinating. Even as you listen to the thump of leaden lines hitting the stage, you are completely absorbed, and Wyn Jones's meticulous production draws out all the play's curious power. Fuelled by anger, anxiety and relief, it is very revealing about the deep desire for heroic behaviour and the need for retribution

(the only German character gets it in the end).

Coward confines his examination of British spirit under fire to the regulars of one modest London pub. He chooses a simple cross-section of humanity, then explores how his characters cope with life beneath the Führer. Some carry on as if nothing has happened. A few collude with the enemy, but most join the resistance movement that is to bring liberation. There are some casualties - the daughter of the pub dies for the cause - but in the end, British pride, resilience and decency wins through. All cowards - bar one - are roundly dismissed - by the end you feel rather as if you have lived through the war yourself - and it is quite strange you keep trying to match the imagined sequence of events with what really happened. The original 1947 production must have been very odd, but it now has the pull of an extraordinary period piece, combined with a sort of soap opera appeal.

The strength of Wyn Jones's staging is that it builds on this to make you almost believe the scenario. Every little detail is so authentic that it is quite persuasive, which allows the play's moral thrust to take effect. From a strong cast of 30 it is hard to pluck out individual performances, but Angela Down is spirited as the fiery lady writer, Elizabeth Carting is appealing as the brave little mixer who lays down her life for her country, and Barry Jackson and Doreen Mantle are touching as the publican and his wife.

Peace in Our Time is touring the country.

In spite of several tours to this side of the Atlantic, the Ottawa-based National Arts Centre Orchestra (NACO) has not entered our musical consciousness to the same extent as fellow Canadian bands like the Montreal and Toronto Symphonies. At the Barbican on Sunday, the last stop of a gruelling European tour that opened in Vienna in mid-February, it drew a modest audience; the middle-of-the-road programme was doubtless to blame, though the orchestra's unglamorous title - derived from its home in the Canadian capital - hardly helps to attract attention.

Programming is limited by the group's 46-piece chamber orchestra makeup. But under its current artistic director and principal conductor Trevor Pinnock - a

canmy appointment surely made in expectation of profile-raising recordings - in the NACO is expanding its repertoire in a contemporary direction.

Pinnock, best known in his native Britain as a harpsichordist and "period" conductor, has turned vigorous promoter of new music. The highlight of Sunday's concert was the first London performance of *Vertige* by the 38-year-old Canadian Linda Bouchard, the orchestra's composer-in-residence. Commissioned for this year's tour, *Vertige* is a six-minute piece of raw

energy that draws on natural images in a latter-day Sibelian way.

The orchestra's bright, almost hard sound - strings clearly articulated though not very distinctive in tone - is as one might expect of modern instruments under a "period" conductor. Ensemble suggests a close-knit group of musicians accustomed to playing together, though their unanimity was tried by Pinnock's hard-pushed account of Beethoven's Symphony No. 8 at the beginning of the evening. There was little "dash" about the

finale, which under pressure turned frenetic - no doubt the orchestra was suffering fatigue after three weeks on the road.

Hakan Hardenberger's stream of melting tones in the Haydn Trumpet Concerto raised spirits considerably, and inspired stylish accompaniment from conductor and orchestra. In Mendelssohn's "Scottish" Symphony, these northerners found the measure of the sombre, brooding passages best, but after treading heavily in the earlier movements - and driven, perhaps, by the prospect of a well-deserved rest - they made a sprightly gallop for the end.

Presented with the assistance of the Government of Canada and the Canadian High Commission, London.

INTERNATIONAL ARTS GUIDE

AMSTERDAM

GALLERIES
Amsterdams Historische Tel: (020) 523 1822
● Hunger, Winter and Liberation in Amsterdam: exhibition that marks the changes in Amsterdam during the last months of WWII and the Liberation; to Sep 3

BERLIN

OPERA/BALLET
Deutsche Oper Tel: (030) 341 9249
● Magic Flute: by Mozart. Conducted by Lawrence Foster/Sebastian Lang-Lessing/Stefan Soltesz and produced by Günter Krämer; 7pm; Mar 15
● Martha oder Der Markt zu Richmond: by Friedrich von Flotow. Premiere conducted by Sebastian Lang-Lessing and produced by Winfried Bauernfeind; 7pm; Mar 14, 16
● Ring um den Ring: by Wagner. Ballet based on "The Ring Cycle", choreographed by Maurice Béjart; 7pm; Mar 18
● The Girl of the Golden West: by

Puccini. A new production conducted by Paolo Omi and produced by Frank Corsaro. Soloists include Galina Kallina and George Fortune; 7pm; Mar 19

LONDON

CONCERTS
Barbican Tel: (0171) 638 8891
● London Symphony Orchestra: Daniele Gatti conducts Wagner, Hindemith and Tchaikovsky; 7.30pm; Mar 19
● The Magic of Mackerras: Sir Charles Mackerras conducts the Royal Philharmonic Orchestra and cellist Steven Isserlis to play Dvořák; 7.30pm; Mar 17
● The Magic of Mackerras: Sir Charles Mackerras conducts the Royal Philharmonic Orchestra and violinist Tasmin Little to play Dvořák, Janáček and Martinu; 7.30pm; Mar 17
Festival Hall Tel: (0171) 928 8800
● Cologne Radio Symphony Orchestra: with pianist Lars Vogt. Hans Vonk conducts Beethoven and Bruckner; 7.30pm; Mar 20
● Philharmonia Orchestra: Wolfgang Sawallisch conducts Strauss and Schumann; 7.30pm; Mar 14
● The Bach Choir: with the City of London Sinfonia and conductor Sir David Willcocks plays Kodály, Szymanowski and Janáček; 7.30pm; Mar 18
Queen Elizabeth Hall Tel: (0171) 928 8800
● Deutsche Kammerphilharmonie: Mikhail Pletnev conducts Haydn and Mozart; 7.45pm; Mar 18, 19
● London Sinfonietta: Sir Simon Rattle conducts Poulenc's "Les Mamelles de Tirésias" and Boulez's

"Le Soleil des Eaux". Soloists include Lucy Shelton, Barbara Bonney and Phillip Langridge; 7.45pm; Mar 17
Wigmore Hall Tel: (0171) 935 2141
● Marinsky-Kirov Series: with baritone Dmitri Hvorostovsky and pianist Mikhail Arkadiev. Programme includes Arie Artiste and songs by Glinka and Sviridov; 7.30pm; Mar 20

GALLERIES
Victoria and Albert Tel: (0171) 938 8500

● Warworks: women photography and the art of war. A perspective of war through the eyes of international women artists; to Mar 19
OPERA/BALLET
English National Opera Tel: (0171) 632 8300
● Don Giovanni: a new production of Mozart's opera. In house debuts for director Guy Joosten and conductor Markus Stenz; 7pm; Mar 15, 17
● Madama Butterfly: Puccini's opera, originally directed by Graham Vick; 8.30pm; Mar 14, 18
● The Cunning Little Vixen: by Leoš Janáček. Original director, David Pountney; 7.30pm; Mar 16
Royal Opera House Tel: (0171) 304 4000
● Giselle: music by Adolphe Adam. A Royal Ballet production choreographed by Marius Petipa after Jean Coralli and Jules Perrot and produced by Peter Wright; 7.30pm; Mar 17
● Salome: by Strauss. A new production directed by Luc Bondy and conducted by Christoph von Dohnányi; 8pm; Mar 15, 18
● Swan Lake: by Tchaikovsky. Choreographed by Marius Petipa and Lev Ivanov, production by Anthony Dowell; 7.30pm; Mar 14

THEATRE
Vaudeville Tel: (0171) 836 9987
● Killer Joe: by Tracy Letts, directed by Wilson Milam; 8pm; to Apr 1 (Not Sun)

LOS ANGELES

CONCERTS
Dorothy Chandler Pavilion
● Los Angeles Philharmonic: with pianist Christian Zacharias. Lawrence Foster conducts Stravinsky, Mozart and Mendelssohn; 8pm; Mar 17, 18, 19 (2.30pm)
GALLERIES
County Museum Tel: (213) 857 6000
● American Impressionism and Realism: The Painting of Modern Life. Two important turn-of-the-century movements in American painting are studied and includes works by John Singer Sargent, Mary Cassatt and Child Hassam; to May 24

NEW YORK

CONCERTS
Alice Tully Hall Tel: (212) 875 5050
● Stuttgart Chamber Orchestra: Dennis Russell Davies conducts Diamond, Shostakovich/Barshai and Glass; 2pm; Mar 19
Avery Fisher Hall Tel: (212) 875 5030
● New York Philharmonic: Valery Gergiev conducts Liadov, Berlioz and Tchaikovsky; 8pm; Mar 14
● New York Philharmonic: with soprano Gillian Webster. Sir Colin Davis conducts Mozart and Mahler; 8pm; Mar 16, 17 (2pm), 18
Carnegie Hall Tel: (212) 247 7800
● Cincinnati Symphony Orchestra: with soloists Katia and Marielle

Labèque. Jesús López-Cobos conducts Wagner and Bruckner; 8pm; Mar 20
● Kiri Te Kanawa: and pianist James Levine perform their only New York recital of the season; 3pm; Mar 19
● Yuri Bashmet: debut at this venue for the violinist recently named "Instrumentalist of the Year" at the 1994 International Classical Music Awards. He is joined by pianist Mikhail Muntyan to play Marais and Shostakovich; 8pm; Mar 14

OPERA/BALLET
Metropolitan Hall Tel: (212) 362 6000
● Idomeneo: by Mozart. Produced by Jean Pierre Ponnelle, conducted by James Levine; 8pm; Mar 15, 18
● La Bohème: by Puccini. Produced by Franco Zeffirelli, conducted by John Fiore; 8pm; Mar 14, 18 (1.30pm)
● La Traviata: by Verdi. Produced by Franco Zeffirelli, conducted by John Fiore; 8pm; Mar 17, 20
● Simon Boccanegra: by Verdi. A new production directed by Giancarlo del Monaco; 8pm; Mar 16

THEATRE
Roundabout Theatre Company Tel: (212) 889 8400

● The School for Husbands/ The Imaginary Cuckold: by Molière. Michael Langham directs Richard Wilbur's translation and stars Brian Bedford; 8pm; to Mar 17 (Not Mon)

PARIS

CONCERTS
Champs Elysées Tel: (1) 49 52 50
● Samuel Ramey: bass and pianist Warren Jones open the Sony Classical Series; 8.30pm; Mar 18

● The Royal Chapel Vocal College of Ghent: with soprano Silyta Rubens and tenor Christoph Prégardien. Philippe Herreweghe conducts Bach; 8.30pm; Mar 19
GALLERIES
Musée d'Art Moderne, Ville de Paris Tel: (1) 47 23 61 27
● André Derain: 350 works spanning his entire career; to Mar 19 (Not Mon)
OPERA/BALLET
Opéra National de Paris, Bastille Tel: (1) 47 42 57 50
● Magnificat: music by Bach, choreography by John Neumeier. Günther Rahnner Mulhaich directs this production; 7.30pm; Mar 17, 18
● The Masked Ball: by Verdi. Conducted by Antonello Allemandi and produced by Nicolas Joël; 7.30pm; Mar 16, 20

WASHINGTON

CONCERTS
Kennedy Center Tel: (202) 467 1600
● Stuttgart Chamber Orchestra: Dennis Russell Davies conducts Mozart, Schnittke, Britten and Boccherini; 7.30pm; Mar 20
GALLERIES
National Gallery Tel: (202) 737 4215
● Italian Renaissance Architecture: Brunelleschi, Sangallo, Michelangelo, the cathedrals of Florence, Pavia and St Peter's; to Mar 19
OPERA/BALLET
Washington Opera Tel: (202) 416 7800
● Tiefland: by Eugen d'Albort. Roman Terleckyj directs a new production by designer Zack Brown. In German with English surtitles; 8pm; Mar 18 (7pm)

WORLD SERVICE

BBC for Europe can be received in western Europe on Medium Wave 648 kHz (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV

(Central European Time)

MONDAY TO FRIDAY

NBC/Super Channel:

07.00

FT Business Morning

10.00

European Money Wheel

Nonstop live coverage until 14.00 of European business and the financial markets

17.30

Financial Times Business Tonight

Midnight

Financial Times Business Tonight

Throughout the cold war, one of the fiercest east-west battles was fought in broadcast. The Soviet authorities went to great lengths to jam broadcasts from western stations such as Radio Liberty and the BBC which many Russians considered as their only trustworthy source of news.

The more crude forms of propaganda practised by the Soviet media are now a fading memory. But as a new Russian order comes into being, another battle for control of the airwaves is under way.

Furious competition for quick financial rewards is evident in a wide range of business sectors. But the contest over broadcasting, highlighted this month by the murder of a popular television star, is unique because of the way in which commerce and politics have become intertwined.

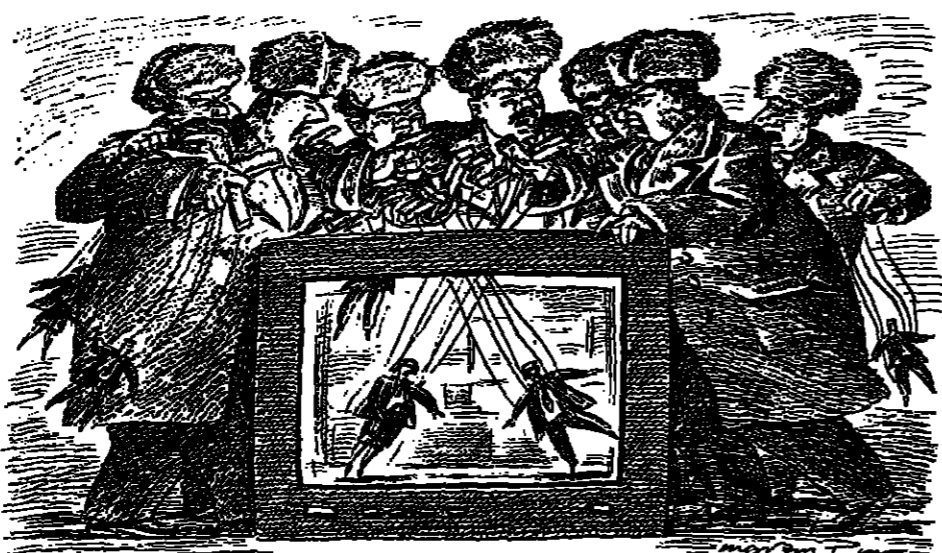
On the one hand, the citizens of the new Russia are a consumer market to be wooed. The rising trend in television advertising expenditure - expected to top \$700m (\$442.6m) this year, compared with \$250m in 1993 - is enough to whet the appetites of Russia's new capitalists and some brave investors in the west.

At the same time, the Russians form an electorate to be persuaded, and the battle for voters' hearts is intensifying after last month's confirmation that parliamentary and presidential elections will be held over the next 18 months. Many believe that access to the airwaves will be important in influencing the outcome of these polls.

The new battle for the Russian airwaves is illustrated by the disputes that have engulfed two of the three nationwide television channels: Ostankino - the broadcasting service of the former Soviet Union, and the newcomer NTV, the only fully private channel.

The disputes first emerged at NTV, which is controlled by Mr Vladimir Gusinsky, head of the Most Banking Group. He has become the *bête noire* of the clique of security police officers close to Mr Boris Yeltsin, the Russian president.

Mr Gusinsky believes that one of the main reasons for this enmity is NTV's graphic reporting of the war in Chechnya. With popular feeling against the war stirred by such reporting, the government issued official warnings at the height of the Chechen conflict that NTV's broadcasting licence might be withdrawn. These threats were never implemented, but political



Masters pull strings

Chrystia Freeland, Bruce Clark and Raymond Snoddy on the new battle for Russian airwaves

pressure on Mr Gusinsky - now in informal exile in the west because he fears arrest in Russia - is felt at the NTV studios, where criticism of the Kremlin has moderated over the past few weeks.

However, Mr Yeltsin decided last month to ban the advertising of tobacco and alcohol products on television. This was a painful financial blow for NTV, the only station that does not receive state subsidies and a reminder of its dependence on political goodwill.

The NTV controversy has recently been eclipsed by the struggle over Ostankino. The murder earlier this month of Mr Vladimir Listyev, the managing director, has been blamed on the controversial reorganisation of the channel which began last autumn.

The reform began with a presidential decree on November 30 which provided for the transformation of Ostankino from a wholly owned state corporation into a joint stock company - the Public Russian Television Company - with a 51 per cent government stake.

The remaining shares in the company, which will come into existence next month, have been distributed among Russian companies with close ties to the government, including the Menatep and Stolichnyi banks, Aeroflot, the airline, and Avtovaz, the car manufacturer.

As part of the reorganisa-

tion, Ostankino's management last month decreed a temporary ban on all commercial advertising. This was a move to stop the diversion of hundreds of millions of dollars in advertising revenues into shadowy companies with virtually no benefit to the channel itself. This ban was widely assumed to have been the motive for the killing of Mr Listyev, the new general director who supported the ban.

It is clear that there were sound business reasons for moves to reorganise the channel. But some Russian observers believe that there was also a hidden political agenda. The decision to ban commercial advertising, for example, has made the station completely dependent on the government's largesse - convenient in the run-up to the elections.

And the list of companies which have been granted a stake in Ostankino has added to the impression that the government is tightening control over the airwaves while appearing to surrender it. The new shareholders, while formally privatised, belong to the circle of "court" businesses with close ties to Mr Yeltsin's administration.

The need to get away from heavy-handed political influence has prompted one Russian television personality to seek foreign financing for a new TV channel with nation-

wide ambitions. Ms Bella Kurkova, head of Russian state television's St Petersburg division, is trying to raise capital for what she hopes will be a new private nationwide channel, TV3.

By looking to foreign investors - whose agenda would be strictly financial - she hopes to avoid what she calls "party money and stolen money", which would come at a political price.

Her investment adviser is Lord Chandos, a partner in Bots & Co, the London-based boutique merchant bank. He says there is a "number of conversations in train with investors on both sides of the Atlantic" about a project whose total capital requirements are by western standards quite modest - about \$40m.

Ms Kurkova, a former parliamentarian, believes she can further isolate herself from political pressures by concentrating more on entertainment than news. But she could still be vulnerable to such pressures in the event of fresh political upheaval.

She claims that her new channel's five-year broadcasting licence is on solid enough legal ground to hold good even in the event of a change of guard at the top. But given the way politics and broadcasting are intertwined, it is a claim that potential western investors - and her colleagues in the Russian media - will be examining cautiously.

Europa: Marqués de Tamarón

Tensions to the south



There is a growing risk of a south-north confrontation across the Mediterranean. Most Spaniards do not often think about it, which is perhaps natural considering Spain's persistent crisis in domestic politics. Even those few who do reflect on North Africa's troubles believe we are witnessing not a fundamental opposition between two cultures, or between the haves and the have-nots, but a conjunction of misunderstandings which can be cleared up with good will on both sides. Such a view is comforting - but it is also wrong.

The tension between Europe and the lands to the south seems to fit with worrying neatness the theory of Arnold Toynbee, the English historian, about declining civilisations and their peripheries. Applied to the late Roman empire, this theory postulated a dual struggle of a rich and sceptical civilisation that had lost faith in itself against two enemies: an external proletariat (the barbarians) and an internal proletariat (the ill-assimilated and morally wronged foreign populations within the empire).

The two proletariats, often of the same cultural origins, no longer admired or wished to copy Rome, which had humiliated them. As a result, they simultaneously despised Roman values and coveted Roman wealth: an explosive mixture of contempt and envy.

The parallels in today's world are clear. But it should be added that Toynbee, far from being a forerunner of nationalists such as Jean-Marie Le Pen, had more sympathy for the barbarians than for Rome.

In Spain, we should be able to see the dangers still more vividly than in France or Italy. The Strait of Gibraltar is less

than 10 miles wide. Across it, Spain has two enclaves in Morocco, Ceuta and Melilla.

The Maghreb countries are roughly 10 times poorer than southern Europe in terms of gross domestic product per capita, and their birth rates are three times as high. The population of North Africa may double in three decades, preventing significant improvements in standards of living.

Yet despite their geographical proximity, Spain has tended to worry less than France or Italy about an extension into Europe of Moslem fundamentalism. After all, for economic and historical reasons, Spain has only tens of thousands of resident immigrants from North Africa, while the Italians have hundreds of thousands of Moroccans and the French millions.

Is the relative insouciance of the Spanish justified? From time to time, Spanish foreign policy specialists consider their country's growing dependence on Algerian natural gas or the lack of logistic means to evacuate Spanish residents in North Africa should the need arise. Well-informed people know the problems are there, but there is a reluctance to talk too much about them, on the grounds that airing these fears could bring about their realisation.

What should be the appropriate response to the risks on Europe's southern borders? European countries with large immigrant populations of course should be more generous in efforts to integrate these communities as harmoniously as possible: a policy that may require tough controls on new immigration. Spanish policy-

makers also believe that a great deal of good will come out of efforts by Spain, France, Italy and others to shift southwards the EU's political and economic attention.

Many hopes are placed on the Euro-Mediterranean Conference due to be held in November in Barcelona during the Spanish EU presidency. A dozen ministers from North African and Middle Eastern countries will meet their EU counterparts to explore the possibilities of a new partnership. The aim is to include political and security matters as well as social, cultural and economic questions.

The EU should come up with clear and plausible policies on aid, investment and protectionism. The European Commission, prodded by Spain, wants grants for the 12 countries in the region to be doubled to a total Ecu5.5bn (\$7.2bn) between 1995 and 1999. It also wants the European Investment Bank to match these loans with another Ecu5.5bn.

The UK, the Netherlands and Germany will probably persuade the Council of Ministers to reduce both sums. But even if such funds were forthcoming, the possibility remains that no measures likely to be taken by the EU would make a vast difference. Private-sector European investment in countries such as Morocco is already quite high, but it is not adequate to generate sufficient jobs to absorb the large number of young people entering the labour market.

On the more important matter of reducing European protectionism for North African goods, "trade, not aid" is unlikely to be electorally popu-

lar. During tough economic times, North Africa is likely to end up getting neither.

All these ideas must be followed up. But what if, in spite of everything, a belligerent fundamentalism sweeps across North Africa? Europe would not have the military and logistic means to react, even if it had the political will to do so.

Spain's defence policy offers a sadly exemplary case of Europe's lack of forethought. Spain does not have an efficient anti-missile system, but half of Spain, including Madrid, would lie within range of a Scud-C missile that could theoretically be stationed in Oran in Algeria. Half of Italy could be reached from Tunisia; and half of Greece could be attacked from Libya. Scud missiles are not accurate, but - in the worst of all possible cases - a dose of anthrax germs dispensed by this means would not need to be accurately targeted to be devastating.

Spain spends less on defence (1.2 per cent of gross domestic product) than any other Nato country except Luxembourg. Under a 1991 agreement between the socialist government and the conservative opposition, the ratio was to reach 2 per cent of GDP before the end of the century. In fact, Spain is moving in the opposite direction. In view of political and budgetary pressures, it will be difficult to meet the commitment, even with a change of government.

In its relations with its southern neighbours, Spain must hope for the best but be prepared for the worst. An adequate and consistent defence policy would provide Spain with the capability of facing up to a test that we hope will never happen.

The author is director of *Instituto de Estudios Internacionales y Política Exterior*, a Spanish foreign affairs institute.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to "fine"). Translation may be available for letters written in the main international languages.

Privatisation no panacea in E Europe

From Mr Jon Stern.

Sir, Martin Wolf and Chrystia Freeland assert in their thoughtful article, "The long day's journey to market" (March 7), that the cure of the ills of central and eastern Europe is in creating the conditions for the growth of the market-oriented private sector. They go on to argue that privatisation *per se* is not enough ("no panacea") but that more attention should be given to creating the conditions for new small enterprises to develop and less given to privatising the large state-owned enterprises. I would agree.

The key issue in this context

is the problem of corporate governance. Countries of central and eastern Europe have found it difficult to develop proper and effective systems by which owners and managers can carry out their responsibilities for monitoring and directing the performance of enterprise managers. This applies to privatised companies as well as state-owned enterprises.

The Czech Republic has gone furthest in this area, but there are still many questions about how well the new investment funds and the banks are carrying out their corporate governance functions. The position is much more problematic else-

where in central and east Europe. Indeed, it has been argued that much of the "spontaneous privatisation" in other post-communist countries (and the voucher privatisation in Russia) has been designed so as to maximise the power of existing managers and workers and minimise the influence of outside shareholders.

Corporate governance is a very difficult issue which causes difficulties in many countries. In central and eastern Europe, the problems are acute not least because of the underdevelopment of banking systems, financial intermediaries, capital markets, pension

funds etc. For small owner-managed companies there is no conflict of interest between managers and owners - but these conflicts will arise once some of the thriving new companies become successful medium and large companies.

For central and eastern Europe, privatisation is not a panacea. To have its intended effects, it must be accompanied by an economic infrastructure that can enforce adequate corporate governance.

Jon Stern, National Economic Research Associates, 15 Stratford Place, London W1N 9AF, UK

UK forever in winter

From Dr D A A Fogandini.

Sir, Re "Currency Tempests" (March 11), it may well be that exchange rate instability is like the weather but in these parts we have seasons and it is sometimes summer, sometimes winter. How come that it has been always winter for sterling and summer for the D-Mark and the Swiss franc?

There is no shortage of weather data: in May 1979, when Mrs Margaret Thatcher first entered No 10, the cross rate with Swiss Franc stood at 3.5933. On March 11 it is recorded as 1.869, not quite a 50 per cent devaluation.

And, as the cold weather intensifies, you tell us we must live with it? Will any one of your contributors tell us instead why this should be so and where it will end? There has to be something fundamentally wrong with the way we run our economy and it has to be something that few want to talk about. Folk don't care much for such matters and are unaware of how the value of their income has steadily depreciated over the decades.

They could be mightily annoyed when they find out what successive governments have done to the prospects of their children.

Structural failure is now all around us; compared to the heady days of Harold Macmillan, when "we never had it so good", Britain's decline relative to the more successful economies becomes more obvious every year. Sterling as a reserve currency is remembered only by historians.

Is it not time to pose a few hard questions to those who would govern us after the next general election? How do John Major or Tony Blair propose to bring summer back to Britain?

D A A Fogandini, 6 Alwyn Park, Datchet, London SE21 8AE, UK

Strict limits for a social clause

From Mr Michel Hansenne.

Sir, In your otherwise excellent article on labour standards and trade, there were one or two misunderstandings I must clear up ("WTO urged to stress labour standards", March 9). I have not written to the World Trade Organisation and have no reason to do so. The issue is being discussed where it should be - in the International Labour Organisation. If and when agreement can be reached on the principle

of a "social clause" and on its contents, then a link with the WTO could be envisaged.

I have suggested such a clause should be strictly limited to the basic ILO conventions on freedom of association and other human rights, and must not include, for instance, minimum wages or working conditions. The points covered should be incorporated in a formal agreement, perhaps under WTO/ILO auspices, so as to assuage developing countries

fears that the initial limited scope might later be extended. As the article rightly points out, I see an international agreement in this area as compatible with trade liberalisation and, indeed, as one means of defusing potential protectionist sentiments.

Michel Hansenne, director-general, International Labour Office, 4 route des Morillons, CH 1211 Geneva 22, Switzerland

Euro parliament must temper the power of top civil servants

From Mr John Szemerey.

Sir, You have done Britain and British politicians a service by reminding them that the real decision-makers of the European Union are the unelected national civil servants sitting in the Council of Ministers' Committee of Permanent Representatives (Coreper) ("The men who run Europe", March 11).

Not only does Coreper take 90 per cent of the EU's decisions but its members - top national civil servants - in fact "run" their country's ministers when they come to attend meetings of the Council of Ministers.

They brief ministers, who often know nothing of the subjects to be discussed before they get on an aircraft or train to take them to Brussels, and they tell them what are the issues at stake and how they should vote.

In the present EU decision-making system, where specialist national ministers (of agriculture, education, transport, energy, trade, etc) go to Brussels every few weeks to every few months to take vital decisions affecting their citizens,

many ministers do not have time to read the heavy detailed reports setting out problems, issues and implications.

And they certainly do not see their decisions as part of a vast European jigsaw, where deals can be made, with compromise on one portfolio being the price of a victory on another.

Ministers are principally concerned with their domestic portfolios. So they follow the advice of their senior civil servants (Coreper et al), who have often worked out in advance what the council should decide.

This is all the more reason for increasing the powers of the European parliament, the EU's only democratically elected body that has the time and ability to control the European Union's policies and activities. The 1996 inter-governmental conference should be used to give the parliament teeth, so it can function effectively on behalf of all the EU's citizens.

John Szemerey, 78 Marston, B-3000 Overijse, Belgium

A question of proper usage

From Michael Goldman.

Sir, Is it too late to rescue the phrase "beg the question" from misuse? It is often used nowadays to mean "raise the question" (eg in "Setback for a revolution", by Jurek Martin, March 4) whereas its true meaning is to assume what is to be proved. Collins English Dictionary states that it also means to evade the issue.

The phrase is a translation of the Latin *petitio principii*, a term in logic meaning the assumption in an argument of what has yet to be proved: for example, to discuss how to measure schoolgirls' intellectual superiority over that of schoolboys begs the question of whether it is in fact superior.

Of course language has to change but my protest is not mere pedantry for this is a case where a piece of language is being lost for no perceptible gain since the phrase "raise the question" is perfectly adequate for what is mis-described as begging the question. Michael Goldman, 1 Lyndale Close, Blackheath, London SE3 7RG, UK

WELCOMES THE WORLD!

At the International Conference on
'INDIA'S ECONOMIC RENAISSANCE'

Hosted by **FT**

Financial Times Group

In New Delhi at the Taj Palace Inter-Continental on March 16th & 17th, 1995.
Welcome Reception & Cocktails for delegates from all over the world
hosted by **GSL (India) Limited** on March 15th, 1995 at 6.30 p.m.

GSL
GSL (India) Limited
MANUFACTURERS OF SPECIALITY YARNS, HI-TECH THREADS & WIND POWER

Handwritten text: "12/12/95"

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700
Tuesday March 14 1995

Camdessus' Russian gamble

Mr Michel Camdessus, the managing director of the International Monetary Fund, has thrown his considerable weight behind the economic stabilisation programme painfully negotiated with the Russian government. He has given it a personal "vote of confidence", and will argue in favour of releasing the promised \$6.5bn standby credit when the IMF board considers it in the very near future. This is a gamble, but one that should be taken.

It was clear, when the IMF first became involved in the Russian reform effort, that any decision to support the process would be as much political as economic. The capacity of the Russian government to deliver on its promises of stabilisation has proved to be most uncertain. Sometimes it has been undermined by the stubborn resistance of the Russian parliament, sometimes by the vacillation of President Boris Yeltsin himself. Both have been subjected to the lobbying of the bankrupt, but still powerful, farms and factories of the old state system.

It is really anybody's guess whether this latest effort to haul the Russian economy out of its downward spiral, or whether the vital personal commitment of Mr Yeltsin given to Mr Camdessus - will be enough to save it. The fact will come around July, when the farms will come begging for another round of soft credits, and the factories will be hammering at the Kremlin's gates, threatening mass unemployment if they are

not bailed out yet again. By then, the December elections for the Russian parliament will be looming ominously near, and the 1996 presidential election will be just 12 months off. The pressure to capitulate will be huge.

Nevertheless, the IMF team has done its best to ensure that the programme stays on course this time. For a start, the money will only be paid out in monthly tranches, to the considerable chagrin of the Russians. Tough restraint on the budget deficit, and a consistent anti-inflationary policy will be regularly monitored. Mr Yeltsin's recent decree on budget discipline - requiring approval from the president, parliament and government for any departure from spending targets - should also help. His parallel decree, scrapping existing export privileges, should do much to curb corruption in that vital area, if it is implemented. But realists will remain sceptical until they see it put into practice.

However confident Mr Camdessus may sound, IMF backing for this programme is a gamble. Yet the alternative, of refusing support, would be worse. The programme will be thoroughly unpopular. It may ensure that Mr Yeltsin is not re-elected. But failure to stabilise the economy is, even so, far more likely to bring dangerous forces to power. Mr Camdessus has made the right choice. At worst, the IMF will lose some money and a bit more credibility. At best, its decision will secure Russian reform.

New realism

The statement of aims and values approved yesterday by Labour's National Executive now seems certain to replace Clause 4 of the party's constitution. Instead of its historic commitment to common ownership, Mr Tony Blair has produced a set of principles designed to fit Labour in the mainstream of left-of-centre European politics. He is to be congratulated.

The party leadership long ago abandoned the central vision of Clause 4: a socialist utopia in which the state appropriated and then redistributed the fruits of economic growth. The reluctance, however, of many members to abandon formally a credo framed during the Bolshevik revolution symbolised an emotional attachment to the politics of the past.

Mr Blair was right to decide that his party had to confront this contradiction if it was to convince the electorate that it had embraced the market economy. The disarray within the Conservative party had persuaded some of his colleagues they should wait simply until the voters turned out the government. But Labour should not win power by default. To be competent in government it must have a clear idea of the principles, and the constraints, under which it would operate.

The vigour with which Mr Blair has pressed this case has been a testament to a determined leadership style. His success in marginalising the opponents of change, particularly among trade union leaders, has provided him also with some of the freedom of action he will need when it comes to

turning high principle into realistic policy.

The defining idea of the alternative Clause 4 is individuals can prosper only "by the strength of our common endeavour". Some will find inspiring the ideal of a society in which power, wealth and opportunity are "in the hands of the many not the few". Others will see in such aspirations an idealistic, and unattainable, dream. Most will welcome the commitments to Europe and to a more accountable democracy.

From Mr Blair's perspective, however, the important point is that the party's constitution no longer presumes a set of policies which would lead, automatically, to the self-destruction of a Labour government. The commitment to public ownership is cautiously framed. It is placed firmly in the context of a thriving private sector and respect for the enterprise of the market and for the rigour of competition. His decision to disavow the words "full employment" while preserving the sentiment behind them is another example of the new realism.

The statement is significant because it changes the terms of the political debate in the UK. It defines Labour as a party with a set of basic values rather than as a class-based organisation obsessed with an outmoded concept of ownership. It favours the individual over the collective. The voters, justifiably, will want to make their judgment on the basis of a much more detailed policy prospectus. But Mr Blair has set off in the right direction.

Mr Kinnock's test

The European Commission will today seek from the Council of Ministers authority to negotiate on behalf of EU members all bilateral deals on airline traffic with the US. The decision poses an important test for Mr Neil Kinnock in his role as transport commissioner - and a much bigger one for EU airline policy.

The Commission has brought the matter to a head because it is irritated by US moves to sign "open skies" agreements with nine small European countries, six of them EU members. Brussels fears that Washington has embarked on a strategy of dividing the EU's members, so as to undermine its policy cohesion from within.

Mr Kinnock has written to the EU governments concerned, threatening court action if they continue to negotiate or sign deals with the US. He says the agreements proposed by the US are illegal, because they do not embody provisions required by the EU's regulations and could conflict with its competition rules. So far, the governments appear to have ignored his threat, and the dispute may ultimately have to be resolved in the courts.

This relatively narrow dispute has acquired larger political dimensions because the Commission is trying to use it to further its claims for "sole competence" in negotiating transatlantic airline agreements. It insists that EU members can extract reciprocal concessions in bargaining with the US only by presenting a united front. It points out that EU

trade policy already applies that principle to many other sectors. Why, Brussels asks, should airlines be an exception?

There is a logic to the argument. But it contains a substantial flaw. There is a functioning internal market in most products and services covered by the EU's common commercial policy. That is not yet true of airlines. Though the EU has agreed a liberalisation blueprint, it will take several years to implement. It is still unclear that it goes far enough to achieve free competition.

The European airline market remains deeply fragmented by national champion policies, reflected in widespread state ownership of flag carriers. These policies have not only prevented industry rationalisation across borders. They continue severely to distort competition, by encouraging state subsidies of loss-making airlines, at the expense of efficient and profitable rivals - a practice that Brussels has so far proven unable to curb.

In these circumstances there is a risk that a common external policy would serve as a pretext for protectionism. Achieving open skies within its borders must be the EU's first priority. Mr Kinnock will have a golden opportunity to show he means business soon, when he decides on Spain's plan to pump P3120bn (£1bn) of state aid into Iberia, its state airline. How he handles that proposal will be a far more important test of his authority than today's Council decision.

For the time being, Mr Pierre Suard stays on as chairman of Alcatel-Alsthom, even though he can now take no part in managing France's third-largest industrial group and the world's largest supplier of telecommunications equipment.

That was what the establishment figures on the Alcatel board decided yesterday, after the Alcatel chief was barred on Friday from managing the industrial empire he has built up over the past nine years. Mr Suard is under investigation for in a case involving alleged overbilling of France Télécom and for using corporate money for private gain.

But they may have rallied round Mr Suard as much in anger at the way Mr Jean-Marie D'Huy, the judge, has chosen to investigate the Alcatel chief - and out of respect for Mr Suard's indignant protestation of innocence - as for any conviction that he is likely to return to the group.

For there is a group instinct for survival at work here - among French business leaders who have found themselves the target of judicial investigations for various forms of alleged financial impropriety.

The Alcatel board includes some of these business leaders, such as Mr Guy Dejouany, president of Compagnie Générale d'Assurances, and Mr Marc Vénot, president of the Société Générale bank. The former has had to cope with allegations that his utility group bribed some local politicians to obtain public contracts, while the latter has had an alleged infraction of company law hanging over his head.

Even those captains of industry and finance who have not so far been the target of an increasingly assertive judiciary are finding themselves affected by the worsening image of French business at home and abroad. They are facing growing pressure for boardroom reform, including stronger corporate governance measures.

The latest move against Mr Suard is "a serious blow to the man and the company", says Mr Claude Bébéar, president of the Axa insurance group. Alcatel executives conceded yesterday that their chairman's problems will now hurt the group's exports, just as last year it helped halve the group's share price. Ericsson, the Swedish telecommunications group, yesterday denied Alcatel's thinly veiled accusations that it was trying to muddy the French company's name in foreign markets.

A senior corporate lawyer suggested the damage to French exports, at a near-record FF77bn (£10.89bn) surplus last year, would be wider still. "Our international competitors will certainly use these affairs [involving Alcatel and other French companies] against us," she

Elite searches for safety in numbers

The bonds between French business and the state are weakening, say David Buchan and John Ridding

says, adding: "We are not angels - we would probably do the same against them."

French business has not rushed publicly to the defence of Mr Suard in the way that it expressed outrage at the detention last May of Mr Didier Pinaud-Vallée, the president of the Schneider electrical group. When he was detained for nearly two weeks in a Belgian jail while being investigated for alleged fraud in two of Schneider's Belgian subsidiaries, they thought it easy to brand Belgium a banana republic.

Now, business leaders cannot be so sure. They have seen French magistrates tar their reputation further by a steady stream of judicial allegations and take draconian action against politicians. A former minister, Mr Alain Carignon, has been held in a Lyons jail since last October on charges of corruption.

There is little help from the politicians. The country is now in the throes of a presidential election, in which no candidate dare be seen to be covering up for crooked businesspeople.

This is even - or perhaps especially - true of Mr Edouard Balladur. He has sought to make a virtue out of the resignation of three of his ministers over corruption charges by pointing out that his government has been prepared to let justice take its course.

While he was still riding high in the polls, Mr Balladur expressed concern about defendants' rights being hurt by magistrates leading to the press and holding so many people in custody. Mr Carignon is, for instance, one of 24,076 people held in prison pending trial out of a total French prison population of 54,622. A month ago, Mr Balladur called for such detention to be reserved for those accused of violent crimes.

Now, however, there is silence from Mr Balladur, as from other candidates, on the Suard affair. The prime minister has another reason to keep mute. As minister of finance, he appointed Mr Suard in 1986 to head Compagnie Générale d'Electricité, which became Alcatel after its privatisation a year later.

He was also an employee of the group before 1986 and after 1988. Indeed one of the minor reasons for



Faces of France: (clockwise from top left) Edouard Balladur, presidential candidate; Jean Peyrelevade of Crédit Lyonnais; Alain Carignon, former minister; and Pierre Suard, who remains chairman of Alcatel-Alsthom

his recent plunge in the polls was his reluctance - now remedied - to reveal the amount of money he stock options in GSI, an Alcatel computer subsidiary, on becoming prime minister.

Mr Suard's links to Mr Balladur and his friendship with Mr Jacques

Chirac, the other Gaullist presidential candidate, appeared to give Alcatel an advantage in exploiting opportunities in France's public sector. Mr Suard hoped to win a stake for the group in Framatome, the state-owned nuclear reactor maker, and France Télécom. Not only has he failed in these efforts, but the

group's relationship with the telecoms operator has been worsened by allegations that Alcatel has been overcharging the latter.

Indeed, the most significant result of the Suard affair may be to create a fundamental change in French industrial policy by ending the cosy relationship between the country's telecoms operator and its main supplier. An Alcatel executive said yesterday: "France Télécom is taking advantage of our current weakness to do what they have to do ahead of 1996," when the liberalisation of the European telecoms market will force operators to cut costs on everything, including equipment.

Hitherto, France Télécom has bought most of its equipment on three-year contracts from Alcatel and a small portion from MIST, a joint venture between Matra of France and Ericsson. A France Télécom official yesterday confirmed that the utility is now "pushing prices down" for Alcatel. Its previous three-year purchasing contract having expired last year, France Télécom is now considering putting its future needs out to international tender.

Such a move would alleviate the impression of an unreformed French public sector, which is likely to be reinforced by the imminent government bail-out of Crédit Lyonnais. The state-owned bank is returning this month for an even larger injection of state aid and guarantees for bad loans than the more than FF720bn it got last year.

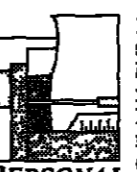
This prospect led Mr Vénot of Société Générale - who happens to sit on the Alcatel board with Mr Jean Peyrelevade, president of Crédit Lyonnais - to complain that the planned bail-out created "an unacceptable distortion of competition."

Whether Mr Vénot will carry his criticism so far as to lodge a formal complaint with the European Commission's regulators of state aid is unclear. But the pressure of the Crédit Lyonnais fiasco, the France Télécom-Alcatel tension and the various corporate scandals is leading to a slow crumbling of the elite's traditional solidarity.

In spite of the dramas, the weakening of the interlocking oligarchy will be evolutionary, not revolutionary. Reform of corporate governance to give boards more control over the all-powerful "president-directeur-général" is only gradually penetrating French business. A new president and government may well be in a stronger position to rein in the business investigations of France's headstrong magistrates.

But a return to a bridled judiciary and to the old bonds between business and state is not on the cards. Mr Suard's ordeals are not the end of an unsettling process.

Opinions on pay spark company reaction



PERSONAL VIEW

In 20 years of specialising in board-level employment law in the UK, I have represented numerous public companies and their executives in negotiating employment and termination settlements.

It is clear to me that the campaign to revolutionise the structure of executive remuneration now has unstoppable momentum.

What is perhaps surprising is that the companies under attack in the present furor over executive pay appear to be unable to marshal a public relations campaign to match that of their detractors. It is therefore important to appreciate that many companies have already reacted positively to the changed climate of opinion.

First, on basic pay, there is a number of recent examples where incumbent senior executives have accepted reduced remuneration. Last week, Kingfisher, the UK retailer, announced it was cutting the bonuses of Sir Geoffrey Mul-

cahy, its chief executive.

I am now seeing cases where incoming senior executives are accepting less attractive packages than those of their predecessors. In one recent case, a major institution offered a chief executive's package with basic pay at some 25 per cent less than the predecessor's. Ancillary benefits were much more dependent on performance.

Second, it has been recognised by most companies that share option schemes are in need of an overhaul. This is because old-style schemes were risk-free and involved no capital outlay for the beneficiary. As they expire, they are generally not being replaced by similar schemes. Instead, a number of alternatives is springing up.

Some of these give the executive the right to exercise the option only if the company has hit predetermined targets. These might be expressed in terms of earnings per share, increases in the company's share price, or the company's performance against other comparable companies.

Another device is known as the restricted share scheme. Under this

sort of arrangement, a performance-related bonus is provisionally awarded to the executive, payable in shares; but ownership of the shares only vests if the executive stays with the company for another three to five years. Such arrangements are ideal as a means of rewarding performance and loyalty. Most large companies are also reviewing the length of senior executives' service contracts: two years rather than three will soon have become the norm for the so-called "rolling contracts".

Because of the method of calculating damages, this will not have a major impact in reducing payments. However, it remains the objective of some investor institutions to arrive at one year as the norm. If and when this is achieved, it would

have considerable impact on the size of termination payments to departing executives.

It is understandable that executives who are asked to reduce their notice periods often seek something in return, and compromises are being reached. Some companies are agreeing to a fixed damages clause stipulating in advance what the executive would receive in the event of premature termination. In other cases, companies are agreeing to "change of control" provisions providing for fixed damages if the executive elects to leave a company when it is taken over.

Remuneration committees should have reacted earlier and more openly to public disquiet over executive pay when it surfaced in 1992.

For one thing, it was insensitive to escalate the basic pay of senior executives when many others were suffering financial pain. For another, the so-called "performance incentives" in many executives' contracts were too easily attainable. Finally, because of the difficulty of defining the term "performance" in legal terms, it was enormously

expensive for companies to remove "non-performers" who were protected by long notice periods.

However, much progress is now being made. Climbing out of a long recession, British industry needs settled and well incentivised senior management. Shareholders, the media and politicians should take stock of what is being achieved, and think long and hard before countenancing the sort of governmental intervention that has recently been suggested.

In recent years the UK has stemmed the tide of top managers eschewing posts in British companies for greener pastures abroad. But this situation could easily change.

There is a shortage of top managers in the UK. In my view market forces, tempered only by shareholder influence, should dictate their pay.

Alasdair Simpson

The author is senior partner of *Manches & Co*, a London commercial law firm.

OBSERVER

Balance of trade

■ What next for Ireland's Peter Sutherland, due to step down tomorrow as the acting director-general of the World Trade Organisation? There is always the chance that he might be served by a last minute plea to stay on, especially since he has no obvious job to go to.

However, Sutherland is keen to be on his way and the only surprise is that his name has not yet been linked to another high profile job. After all he has been mentioned last year as a compromise candidate for the presidency of the European Commission.

When he stepped down as a European Commissioner in 1988, he was not out of work for long, quickly taking on the chairmanship of Allied Irish Banks and a clutch of blue-chip directorships.

At 48, Sutherland is unlikely to want to retire into obscurity. Then again, there are no obvious openings on the international stage and returning to be chairman of a medium-sized Irish company may not be challenging enough for a man of his stature.

That leaves Irish politics. He is a former Irish attorney general and shares the same politics as Fine Gael, Ireland's ruling party. Perhaps a statesmanlike role could be found for Sutherland helping Ireland prepare for its presidency of

the European Union next year. It coincides with the inter-governmental conference to review the Maastricht treaty, so Sutherland would be in his element.

Cooked goose

■ Is Edouard Balladur, the prime minister rapidly plummeting in the polls as he fights for the French presidency, being forced to eat his words?

On Sunday he noted how "the gauche caviare", France's champagne socialists, had suddenly discovered calf's head - a cutting reference to his currently more buoyant rival Jacques Chirac's penchant for traditional rural cuisine.

So what was on the lunch menu yesterday at the prime minister's office yesterday? Nothing other than *l'œuf de veau*. Looks as if the chef has spilt his chances of transferring to a Balladurian Elysée.

Gut reaction

■ One of the minor consequences of the Barings fiasco has been the flowering of a cottage industry in metaphorical language, as assorted international bigwigs attempt to convey to mere mortals the essence of what went wrong.

One of the more graphic formulations came last week from Securities and Exchange

Commission chairman Arthur Levitt. He was quoted contending that "the Barings issue... is not a derivatives issue - they could have been trading in cabbages". Urgent. Uncovered position. Please deposit two more leaves of finest savoy.

Yesterday it was the turn of CS Holdings' chairman Rainer Gut, who chose to interpret Barings' demise as a salutary warning. "It's like a man who goes into a bar, has too much to drink and then has a hangover. We have to learn lessons from this." Too bad that the hangover in this case was terminal.

Alchemy rules

■ You thought East Germany and the Soviet Union were defunct, didn't you? Wrong. The USSR has just taken gold medal, East Germany the bronze, in the 10th correspondence chess Olympiad, just ended.

The Olympiad - which requires players to make 10 moves each per month and post them to their opponents - took eight years to complete. East Germany achieved its bronze by beating West Germany.

Soviet high jump

■ Talking of the former Soviet Union, freedom is proving a distinctly mixed blessing for its erstwhile sporting heroes. Like their western counterparts, they are

now turning to business to supplement their earnings - with varying degrees of success.

Serhiy Bubka, the world's greatest pole vaulter, is doing well enough. He is still competing and winning, but is also owner of several stores, runs slot machines and holds an exclusive licence to make official stamps in Donetsk, Ukraine's grimy industrial town.

Aleksander Kolchinsky, twice gold medalist in wrestling, is faring less well. He has just been sent to prison for seven years for extortion. Still, at least he managed to keep his arm-twisting skills in good shape.

Vote buyer

■ The entrepreneurial spirit flourishes in the new South Africa. When Lance Dutton, a young Cape Town businessman, read that several thousand blank ballot papers had been found in a warehouse after last year's election, he successfully bid £20,000 for them. He then laminated the papers, which display in colour the 19 contesting parties, their symbols and their leaders.

So successful was the venture in South Africa that he's now selling them in Britain, at £5 a ballot sheet. "I'm offering people the chance of owning the most significant piece of paper in South African history," he says.

Or was that not the form releasing Nelson Mandela from jail?

Financial Times

100 years ago

The Bamboo Cycle Company The inventors of these cycles claim to have succeeded in manufacturing machines which are lighter, cheaper, less liable to damage and easier to clean, and, further, which possess greater "resilient" properties than any yet brought before the public. These important improvements have been attained by the introduction as substitutes for steel in the frames of cycles of bamboo and aluminium, which are two of the strongest and lightest materials known. The remarkable strength of bamboo, having regard to its extreme lightness, is perhaps not generally realised. The lightness gained becomes of even greater importance when applied to the manufacture of tricycles.

50 years ago

British purchase of tea The Minister of Food, on behalf of the United Nations, has practically completed negotiations for the purchase of the total exportable surplus of tea from India, Ceylon and East Africa. "Subject to unforeseen conditions," the minister said, "there should be enough tea available in Britain to maintain the tea ration for a year."

China to resume talks on joining world trade body

By Tony Walker in Beijing and Frances Williams in Geneva

China agreed to resume talks on joining the World Trade Organisation yesterday after the US expressed support for its admission.

The new round of discussions will begin in Geneva next month. Mr Mickey Kantor, US trade representative, said.

China suspended negotiations in December after it failed to satisfy entry requirements. Chinese officials accused the US of making "exorbitant" demands.

However, Sino-US trade relations have improved markedly since agreement late last month on steps to curb copyright abuses and open the Chinese market to US entertainment and information products.

An agreement at the weekend on further steps by China to open markets to US products, including agricultural items, paved the way for Mr Kantor to declare firm support for Beijing's WTO application.

Mr Kantor called the accord "a roadmap for our work to resolve differences over market access, services, agriculture and China's accession to the WTO".

China and the US yesterday signed a seven-year satellite launch agreement that commits the Chinese commercial space industry to market rules and fair competition, writes Tony Walker. The memorandum limits China to 11 satellite launches for international clients excluding military, government or non-commercial payloads. China also agreed not to undercut rivals with "below-cost pricing, government inducements and unfair business practices". The agreement allows China to sell launch services at prices up to 15 per cent cheaper than market rivals.

The US indicated that it would offer some backing for China's argument that it should be regarded as a developing country in its application to join the WTO. Developing, as opposed to developed, countries attract lenient treatment in their membership bids for the WTO, which came into existence as the successor body to the General Agreement on Tariffs and Trade on January 1 this year.

Mr Kantor said: "Both countries understand that China could be characterised as developed or developing, depending on the Uruguay Round category."

"This agreement dictates that we move beyond labels and address each issue on a realistic, pragmatic basis." Developing-country status in the WTO would make China eligible for several years of exemptions from tougher developed-country standards.

Mr Kantor raised the issue of human rights in what he called a "productive and frank exchange" with Jiang Zemin, China's Communist party chief and president. He voiced US disappointment and said China's "failure to make progress (on human rights) will continue to present difficulties".

In Geneva, trade diplomats reacted with caution to the new-found US enthusiasm for early Chinese entry to the WTO, and said they wanted to know more about what had transpired between the US and China in Beijing.

There is wide support in principle among WTO members for China to join the world trade body, but until now they have shared the US view that Beijing was not ready to comply with WTO rules and obligations.

Observer, Page 17

Tapie at odds with judge in bribery hearing

By Andrew Jack in Paris

Mr Bernard Tapie, the controversial French businessman, produced a colourful opening performance in court yesterday, swapping barbs with the judge as he denied attempting to bribe a football team to throw a vital game.

In a case likely to be the most spectacular of the legal battles facing him, Mr Tapie and five others are accused of attempting to rig a football match and influence witnesses.

Mr Tapie, a former socialist minister of urban affairs who once controlled Adidas, the German sporting-goods group, was threatened with eviction from the courtroom by Judge Bernard Langlade. Mr Tapie interrupted the reading of the charges against him, answering back to the judge and disrupting testimony.

"The search for truth demands that you should not just say any old thing," Mr Tapie said after the indictment. When the judge said: "I will not allow myself to be abused by anyone", Mr Tapie replied: "Nor will I".

The trial, in the northern French city of Valenciennes, combines political, business and sports scandals and has generated enormous public interest. It is expected to last about two weeks.

If Mr Tapie loses, he faces substantial fines and a jail sentence of up to three years, which would jeopardise any remaining hopes of a political career. Mr Tapie's leftwing movement, Radical Energy, won 12 per cent of the vote, 13 seats, in last year's French elections to the European parliament.

Mr Tapie has combined a taste for high living with a populist image as a champion of the left. He was heralded as a saviour in Marseille in the 1980s when he salvaged the fortunes of its football team Olympique de Marseille and led it to victory at the European championships. He had hoped to run as mayor of the city in elections due in June.

But Mr Tapie has also been eagerly pursued by his creditors, including the French tax inspectors and Crédit Lyonnais, the loss-making state-controlled bank to which he owes some FF1.2bn (\$240m).

An appeal court in Paris is due to decide at the end of this month whether a personal bankruptcy order made against Mr Tapie late last year is valid.

The football-rigging scandal was a turning point in Mr Tapie's career. Mr Jacques Glassman, captain of rival football team Valenciennes, accused Mr Jean-Pierre Bernes, general manager of Marseille, of trying to bribe three of his players to lose a match which led to the team's fifth successive French league victory in 1993.

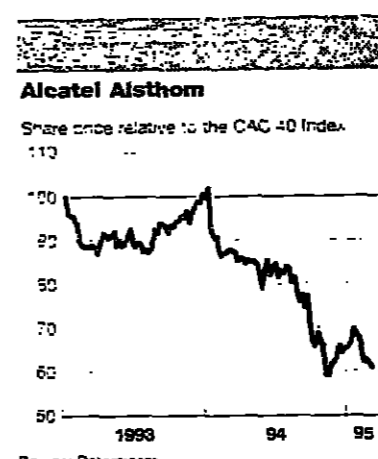
THE LEX COLUMN

Alcatel on hold

Alcatel has its back to the wall. If allegations of overcharging France Telecom are proved, the company's reputation will be damaged. But even if Alcatel is cleared, its telecoms business faces a challenging future. The cosy relationships between state-owned telephone monopolies and favoured suppliers - which have allowed Alcatel to earn fat margins - are breaking down. As the telephone operators face greater competition, they are putting pressure on their suppliers for better deals.

Deutsche Telekom's tougher procurement policies ahead of privatisation have already forced Alcatel's German subsidiary into losses. France Telecom is likely to follow suit, even if it remains publicly owned. Margins in Alcatel's third big European market, Italy, are also under pressure. That should intensify when the state's majority stake in Stet is sold.

Alcatel is not well structured to respond to this changing environment. Its deeply entrenched local subsidiaries may have been necessary to win contracts in the old days, but they involve duplication of effort which inflates the group's costs. Alcatel has belatedly started to streamline its structure. But investors will be worried if the chasm at the top leads it to take its eye off the ball. Mr Pierre Suard, the chairman, may have received a vote of confidence from his fellow directors yesterday. But unless the ban on his involvement in the business is revoked quickly, his colleagues will need to review their decision to keep him on board.



Source: Datastream

increase its stake in IMI, or even exchange shareholdings with Monte dei Paschi and San Paolo.

However, if Cariplo's owners want the share sale and offering to be more successful than last year's abortive flotation, they will need to demonstrate less greed. At that time, the foundation blamed market conditions for the flotation's failure. But the sale was really doomed by the excessively high price being asked. Investors, who have watched their shares in IMI and San Paolo consistently trade below the issue price will prove understandably cautious about Cariplo's sale this time round. The pricing will need to reflect their concern.

Northern Electric

Northern Electric's refusal to let shareholders consider Trafalgar House's \$9.50-a-share bid smacks of arrogance. The electricity regulator announced an industry-wide price review last week. Northern's share price has plummeted to \$7.38. The gap of more than \$2 between the current price and the second offer is significant enough to merit referring the decision to shareholders.

The claim that Northern's management is in a better position than its shareholders to assess its regulatory prospects is rather hollow. If the company can determine value accurately, despite the regulatory uncertainty, investors will want to know what financial rewards are now on offer. Here, Northern finds itself in an awkward position. It was the package of financial goodies for shareholders, offered in defence of the original Trafalgar House bid, that helped alert the regulator to the excessive financial strength of the regional electricity companies. A revised offer of sweeteners before the conclusion of the review would be tactless.

Given the mounting pressure from shareholders, Northern should change its mind. If it does put the bid to shareholders, it should seek a commitment from Trafalgar that its offer would remain on the table whatever the outcome of the price review. One lapsed bid is unfortunate, but two would be worse than careless.

See additional comment on UK buses, Page 23

Cariplo

The restructuring of Italy's archaic banking system gathers pace. The decision by Cariplo's owners to sell a large tranche follows a similar announcement last week by the majority shareholders of Istituto San Paolo di Torino. The disposals are partly inspired by the government: it wants such charitable foundations to reduce their dependency on the banks. The newly-liberated banks can then underwrite and distribute the industrial privatisations needed by Italy to alleviate its budget deficit.

But the banks themselves are also keen to gain their freedom, not least because they could raise capital at the same time. Cariplo wants to form an alliance to counterbalance the huge might of Mediobanca and its allies Banca di Roma, Credito Italiano, and Banca Commerciale Italiana. One way for Cariplo to cement its grouping would be to use additional capital to

Rand

South Africa's government of national unity took a courageous step in deciding to scrap the financial rand for foreign investors. Its courage was trebly rewarded yesterday: when bonds, the new currency and equities all closed higher on the day. This reaction was in marked contrast to the fearful consensus among analysts that the abolition of the financial rand would trigger outflows of foreign capital.

At the very least, it was thought, foreign investors would require higher yields on bonds and equities to compensate for the elimination of the financial rand as a cheap way into South African assets. But the modest strengthening of markets yesterday showed international investors' confidence in the country's economic management is high enough for that premium to be discarded for now. Their

UK regulator bars Barings directors from posts at ING

By Norma Cohen and John Gapper in London

Former directors of Barings, the collapsed UK merchant banking group, have been barred temporarily by UK securities regulators from becoming directors of the new Barings businesses created by Dutch bank Internationale Nederlanden Group.

The Securities and Futures Authority has told ING not to appoint former directors of Barings to the boards of two new companies formed to take on Barings' business until the Bank of England has completed its inquiry.

Mr Christopher Sharples, chairman of the authority - which authorises individuals to conduct securities business - said it would decide after the inquiry whether directors were "fit and proper".

SFA rules require staff who

move to new firms to reapply for authorisation. While most such applications are routine, the authority inquires into the circumstances under which an individual left the previous employer.

"The directors of any company that goes into liquidation have got a lot of explaining to do before we allow them to run another company," said Mr Sharples. He said the "onus will be on them" to prove they were fit to do so. Mr Sharples said ING had been "entirely supportive" about the SFA's stance, provided Barings directors were not barred from working. It has appointed Barings directors to a "liaison committee" running the new businesses.

Mr Sharples said former directors of Barings plc, and of Barings Securities, its broking arm, would not be allowed to be directors of the ING-held businesses. The SFA was formerly the regu-

lator of Barings Securities in the UK. The directors of Barings plc include Mr Peter Barings, the chairman, and Mr Andrew Tuckey, deputy chairman, as well as Mr John Bolsover, the head of the investment management arm, and Mr Peter Norris, the head of investment banking.

ING approached the SFA when it was negotiating to buy Barings' businesses to ensure there were no obstacles to the purchase. It was told that Barings directors and managers could continue working, but not as directors of any new companies.

Mr Nick Leeson, the former Barings trader accused of bringing about the collapse by amassing \$280m (\$1.4bn) of losses in derivatives contracts, yesterday formally refused to consent to extradition to Singapore at a court hearing in Frankfurt.

ING suspends staff, Page 10

Buffett writes down stake in USAir

Continued from Page 1

vice-chairman of Berkshire Hathaway, would continue as directors of USAir if it was successful in "reaching a timely agreement with organised labour groups".

Yesterday, Berkshire Hathaway said USAir had not been successful in achieving necessary labour cost savings.

Therefore, Mr Buffett and Mr Munger would not stand for reelection.

BA indicated yesterday it was too soon to say that talks with the unions had failed. Sir Colin Marshall, BA's chairman, said last month that the outcome of these negotiations would determine whether BA took a write-down.

USAir said the write-down did not affect it and that talks with unions were continuing. It said cost-cutting measures worth \$500m had been made recently.

BA said it expected benefits of

\$100m from its alliance with USAir this financial year. These include an increase in BA's passenger flow and cost savings from sharing facilities with USAir.

Berkshire Hathaway bought \$550m of USAir's convertible preferred stock in 1989. However, USAir has made substantial losses over the past five years and last September deferred the quarterly interest payment due on its preferred stock.

FT WEATHER GUIDE

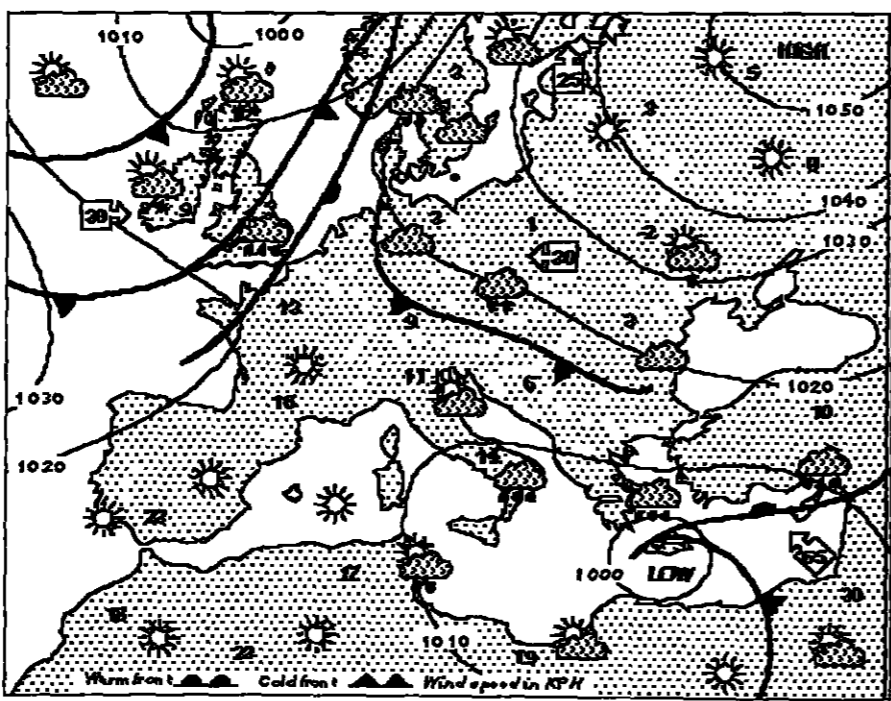
Europe today

A zone of high pressure over Russia will influence conditions over much of eastern and central Europe. Areas of low cloud will cover Germany, the Balkans, and eastern parts of the Low Countries.

Temperatures will be close to zero over the northern Balkans and Poland. Central and eastern Scandinavia will have sunny spells and cloud. Norway will have cloud and rain as a frontal system moves inland from the Atlantic Ocean. Conditions in the Mediterranean will improve, with rain confined to southern Italy and Greece.

Five-day forecast

The zone of high pressure over Russia will weaken as zones of low pressure between Iceland and Scotland strengthen. That will mean unstable conditions, with rain and wind at times, over western Europe. The Mediterranean will be generally sunny and dry. Italy and Greece will have occasional showers.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

Maximum	Berlin	sun	13	Caracas	fair	29	Faro	fair	19	Madrid	fair	19	Rangoon	sun	36
Celsius	Celsius			Celsius			Celsius			Celsius			Celsius		
Abu Dhabi	cloudy	24		Casablanca	fair	18	Frankfurt	fair	8	Managua	fair	17	Seoul	cloudy	28
Accra	fair	34		Chicago	cloudy	2	Geneva	fair	10	Moscow	fair	18	Rio	fair	14
Algiers	fair	17		Cologne	fair	10	Gibraltar	fair	18	Manchester	showers	10	Rome	fair	14
Amsterdam	fair	10		Dakar	fair	24	Hamburg	fair	3	Mexico City	showers	22	Sao Paulo	sun	11
Athens	rain	12		Dallas	cloudy	18	Helsinki	fair	19	Montreal	fair	20	Singapore	showers	32
Atlanta	sun	22		Dubai	fair	27	Hong Kong	rain	19	Mumbai	fair	28	Sydney	fair	9
B. Aires	fair	29		Dublin	showers	28	Honolulu	fair	28	Nairobi	fair	21	Taipei	fair	19
Bham	cloudy	11		Durham	cloudy	9	Islamabad	cloudy	31	Norfolk	fair	12	Tokyo	fair	14
Bangkok	fair	35		Edinburgh	rain	9	Jakarta	cloudy	31	Osaka	fair	12	Toronto	fair	14
Barcelona	fair	15		Geneva	fair	11	Jersey	fair	11	Paris	fair	12	Vancouver	rain	11
				Kuala Lumpur	fair	28	Khartoum	fair	32	Perth	fair	12	Vladivostok	fair	12
				London	fair	10	Kuwait	fair	28	Porto	fair	12	Warsaw	fair	1
				Luxembourg	fair	10	Las Palmas	fair	23	Prague	cloudy	3	Wellington	fair	21
				Moscow	fair	12	Limassol	cloudy	29	Stockholm	fair	12	Winnipeg	fair	2
				Nairobi	fair	27	Lisbon	fair	20	Taipei	fair	12	Zurich	sun	7
				Singapore	fair	32	London	cloudy	10	Tokyo	showers	18			
				Sydney	fair	11	Lyons	fair	11	Toronto	fair	12			
				Taipei	fair	12	Madrid	fair	18	Winnipeg	fair	12			
				Tokyo	fair	12	Moscow	fair	12	Zurich	sun	7			
				Vancouver	rain	11	Norfolk	fair	12						
				Vladivostok	fair	12	Osaka	fair	12						
				Warsaw	fair	1	Perth	fair	12						
				Wellington	fair	21	Prague	cloudy	3						
				Winnipeg	fair	2									
				Zurich	sun	7									

We wish you a pleasant flight.

Lufthansa

LAST WEEK THE
LUCAS SHARE PRICE
WENT UP BY 2%.
NO-ONE KNOWS WHO
WAS RESPONSIBLE.

The stockmarket obviously knows something that many don't. EDS is the leading Information Technology Services company in the world. We

have a history of adding real value to each of our clients' business by developing tailor-made solutions that make them more competitive and

efficient. For more information on how EDS can help your business grow, please

phone 0181 754 4156.

EDS

JP 11/10/95

INTERNATIONAL COMPANIES AND FINANCE

Enso-Gutzeit underlines recovery with profits leap

By Christopher Brown-Humes in Stockholm

A year of strong recovery in the Finnish pulp and paper sector was underlined yesterday when Enso-Gutzeit posted 1994 profits of FM1.58bn (\$358m), more than three times the FM406m achieved a year earlier.

The performance was driven by higher demand, increased prices and lower financial costs, and came in spite of a 7 per cent strengthening of the Finnish markka.

It means the Finnish forest industry achieved total profits of nearly FM6bn last year, compared with FM0.9bn in 1993 and a FM4.5bn deficit in 1992.

Enso stressed the industry upturn had further to go, with more price rises and healthy economic growth leading to even higher profits this year.

However, it warned that wage rises, higher wood costs and energy taxes would take some of the shine off its figures.

Last year's profits were achieved on a 16 per cent increase in sales to FM17.7bn. Higher sales volumes and big rises in the price of pulp and fine papers enabled the group to overcome the impact of the stronger markka.

The group also had a full year's contribution from the forest industry businesses it bought from Tampella, the

Finnish industrial group, in 1993.

A FM482m increase in operating profits to FM2.4bn helped to lift the bottom line, even though several divisions produced lower figures.

Lower interest rates and the reduced cost of servicing foreign currency loans cut financial costs by FM690m from FM1.51bn in 1993. The group lifted its dividend to FM1.0 a share from FM0.6.

Enso said its 1995 figures would benefit from its strategic alliance with Veitälä, a Finnish producer of fine papers and publication papers, after its purchase of a 35 per cent stake in the group from the state last year for FM1.5bn.

Italian purchase helps lift Pharmacia

By Christopher Brown-Humes

Pharmacia of Sweden, one of the world's top 20 drugs groups, said profits after financial items reached SKr5.32bn (\$739m) in 1994, up 60 per cent from SKr3.32bn a year earlier.

The improvement reflects productivity gains after the group's purchase of the Italian pharmaceuticals company Farmitalia Carlo Erba in May 1993.

This has helped compensate for lower sales of some of the group's main drugs because of rising competition and government clamp-downs on health spending.

Pharmacia, privatised by the Swedish government last year, said revenues rose 7 per cent to SKr28.45bn, with the best growth being achieved in the German and UK markets. But, adjusted for divestments and including FICE on a pro-forma basis, revenues were only 1 per cent higher.

Price cuts and prescribing restrictions in Italy, Spain and Australia helped drive down sales of Genotropin, the company's growth hormone drug, by 2 per cent to SKr2.56bn.

Another drug, Healon, which is used for eye surgery, was hit by competition and lower prices in the US and France, with overall sales falling 5 per cent to SKr1.59bn. The group made up ground in other areas, with increased sales of anti-cancer drugs, Far-morubicin and Adriamycin.

The main impact on the figures came from a cost-cutting drive and a SKr90m capital gain from the sale of the US group, Deltec.

The group is closing or selling as much as half of its current production capacity to cut annual costs by SKr1.2bn and reach a targetted 20 per cent operating margin.

Last year its margin improved to 17.3 per cent from 15.5 per cent.

R & D expenditure rose 8 per cent on a pro-forma basis to SKr3.76bn, or 14 per cent of revenues.

The group plans to lift its dividend to SKr2.60 from SKr2.20 a share.

CS Holding backs trading strategy

By Ian Rodger in Zurich and John Gapper in London

CS Holding, the financial services group built around Credit Suisse, yesterday affirmed its commitment to financial trading operations in spite of a 52 per cent fall in trading income to SFr2.43bn (\$2.1bn) last year from SFr5.17bn in 1993.

Mr Rainer Gut, chairman, said at the group's annual press conference in London that it was too early to make a forecast for 1995 as financial

markets remained volatile "and there has been no lack of surprises so far this year".

Mr Gut said it would be wrong for CS Holding to retrench from trading operations because last year had been poor. He said fluctuations from such income were balanced by CS Holding's other banking operations.

CS has reported its 1994 net income tumbled 22 per cent last year to SFr1.33bn, due to a halving of trading income and losses at Swiss Volksbank.

The results were flattered by

a SFr540m capital gain from the sale of a 30 per cent stake in Credit Suisse Financial Products, the group's derivatives subsidiary, to Swiss Reinsurance.

Mr Gut said the integration of Volksbank was paying off in terms of reduced operating costs and greater market shares in the Swiss domestic market but he anticipated another SFr170m in restructuring costs this year.

He said that Volksbank had suffered from poor conditions in the Swiss housing market.

CS Holding had raised provisioning to cover poor loans on Volksbank's balance sheet in line with its own stricter credit standards.

Mr Joseph Ackermann, president of Credit Suisse executive board, said the cost of acquiring Volksbank had been higher than estimated. However, the acquisition was still only at a premium of 30 per cent to book value. Mr Gut said CS First Boston, the group's investment banking arm, was aiming to cut operating expenses by 18 per cent this year.

Swiss bank errs on side of caution

Credit Suisse pulls out of Hungarian acquisition after strategy clash

Credit Suisse's decision to withdraw from its planned acquisition of Budapest Bank of Hungary was not taken lightly. The Swiss bank had spent nearly three months evaluating its target. It had about 40 people working full-time on the deal. At one point, its staff filled two floors of the Budapest Kempinski hotel.

The auguries were good. CS Holding, the owner of Credit Suisse, had a foothold in eastern Europe through CS First Boston, its investment banking subsidiary. Analysts regard Budapest Bank as the best-managed of Hungary's large commercial banks. The deal enjoyed local political support: Hungary's finance minister is Mr Lajos Bokros, former chief executive of Budapest Bank.

If Credit Suisse decided not to go through with the purchase of Budapest Bank, then what hope for other east European state banks?

So far, not much. Only four important east European banks have found western owners. ING Group, the Dutch bank, last year bought 25.9 per cent of Bank Slaski of Poland for \$60m. Allied Irish Banks of Ireland earlier this year took 16.3 per cent of another Polish institution, Wielkopolski Bank Kredytowy.

Bayerische Landesbank of Germany took 25 per cent of Magyar Kereskedelmi Bank, the Hungarian foreign trade bank. The one leading foreign strategic stake in a bank in the Czech Republic is

the 40 per cent stake in Zivnostenska Banka owned by BHF of Germany.

The European Bank for Reconstruction and Development has made several investments, including a stake in the Hungarian bank alongside Bayerische Landesbank.

Overall, however, western banks have been slow to buy into institutions in former communist countries. Financial services are a growth sector in the region but western acquirers have preferred consumer goods industries such as cigarettes and confectionery, and even engineering.

There are many reasons. Credit Suisse said its strategy for Budapest Bank conflicted with that of the management. Credit Suisse's focus was on corporate clients and services such as trade finance; Budapest Bank wanted to build a presence in retail banking.

Mr Joseph Ackermann, president of executive board of Credit Suisse, said: "Our strategy for international banking concentrates on services such as investment management and wholesale banking."

In Hungary and several of its neighbours, banks have become highly politicised. A change in government typically means a change in bank management. Politicians are reluctant to abandon the power of patronage over appointments at the main banks.

In most countries there is a belief that the sector is a strategic one. Mr Spencer Nash, banking analyst at stockbro-

kers Wood & Co, says foreign acquisitions of banks in the Czech Republic are "unthinkable". In the Czech Republic, moreover, commercial banks have been able to borrow cheaply, obviating the need to attract foreign equity investors. The three largest commercial banks - Komerční, Obchodní and Investiční - took out syndicated loans at only 65-70 basis points above Libor last year.

Above all, western banks are fearful of the hidden liabilities they may take on through acquiring an east European state bank. Recession and tougher payment discipline have brought the problem of bad loans into the open throughout the region. Governments have been forced to step in to recapitalise the banking system in all three countries.

That should make western investors breathe more easily. But few managements have suffered for making bad loans. Western investors have no guarantee that they will not lend irresponsibly again.

"Do you know what you are buying and can you be confident in the quality of the portfolio?" asked Mr Tony Fekete, deputy chief executive of Citibank in Hungary, which has eschewed acquisitions.

One warning to western investors is Westdeutsche Landesbank's involvement in AVB of Hungary. The German bank, which paid DM40m (\$28.3m) for an initial stake in 1992, discovered many loans were bad and

had to inject a further DM32m in 1993. Mr Dieter Falke, board member of the Dusseldorf-based regional bank, said: "We undoubtedly came two years earlier than we should have."

Western banks have preferred to set up their own greenfield branches or form joint ventures with Hungarian banks.

Although there has been only one leading banking acquisition, there were 18 majority or wholly foreign-owned banks in Hungary at the end of 1994. There are 21 foreign-owned banks in the Czech Republic.

Poland is the exception that proves the rule. Foreign acquirers have penetrated deeper into the banks than into many other sectors. An important factor may be Poland's restrictions on new bank licences since the end of 1992. The price of ABN Amro's entry into the market was the acquisition of Intabank, an ailing Polish bank. Similarly, Westdeutsche Landesbank has agreed to invest in Bank Moskiewski of Szczecin.

The Czech Republic has followed Poland's example. It suspended the granting of new banking licences last November and said it preferred investors to enter existing banks. It may be too late for that strategy, certainly in Hungary. The enthusiasts for eastern Europe have already set up branches. The cautious banks, such as Credit Suisse, remain cautious.

Reporting by Nicholas Denton, Christopher Bobinski, Vincent Boland and Virginia Marsh

Schering cuts turnover forecast

By Judy Dempsey in Berlin

Turbulence in international currency markets forced Schering, the German pharmaceuticals company, to cut its forecast of growth in turnover this year to 6 per cent from 9 per cent, Mr Giuseppe Vita, chairman, said yesterday.

The fall in value of the dollar against the D-Mark has had most impact on the outlook for the group.

Group turnover last year rose 12 per cent to DM4.7bn (\$5bn) compared with the previous year, with the US market accounting for 17 per cent of sales. Net group profit rose 12 per cent to DM285m over the same period, while the divi-

dend was increased by DM1.28 to DM15.50.

In the US, sales soared 64 per cent, largely due to Betaseron, the multiple sclerosis drug which is only sold in the US.

Sales for Betaseron last year totalled DM332m, but Mr Klaus Pohle, chief financial officer, said sales this year could rise 30 per cent to DM500m as a result of increased turnover in the US as well as the introduction of the drug in Europe, which is expected next September or October. Betaseron accounts for 10 per cent of Schering's total turnover, which this year is expected to reach DM5bn.

Schering's four core pharmaceutical divisions - therapeutic, diagnostic, contraception and hormone therapy and dermatological - continued to show strong growth.

Sales for therapeutic drugs, which include cardiovascular treatment, rose 54 per cent to DM1.13bn. Turnover in the diagnostic division rose 1 per cent to DM1.6bn, sales of contraception and hormone drugs rose 4 per cent to DM1.4bn, and the dermatological division rose 10 per cent to DM440m.

Agrevo, the agrochemicals division in which Schering holds a 40 per cent stake with Hoechst, the German chemicals group, reported a turnover of DM3.3bn but is operating in the red.

tic, diagnostic, contraception and hormone therapy and dermatological - continued to show strong growth.

Sales for therapeutic drugs, which include cardiovascular treatment, rose 54 per cent to DM1.13bn. Turnover in the diagnostic division rose 1 per cent to DM1.6bn, sales of contraception and hormone drugs rose 4 per cent to DM1.4bn, and the dermatological division rose 10 per cent to DM440m.

Agrevo, the agrochemicals division in which Schering holds a 40 per cent stake with Hoechst, the German chemicals group, reported a turnover of DM3.3bn but is operating in the red.

Schering's four core pharmaceutical divisions - therapeutic, diagnostic, contraception and hormone therapy and dermatological - continued to show strong growth.

Norway to tighten grip on DnB

By Karen Fosell in Oslo

Norway's Bank Investment Fund, which administers the state's interests in the three leading commercial banks, has announced plans to tighten the state's grip on Den norske Bank, the country's largest, in which it is the biggest shareholder.

Mr Ole Lund, DnB's chairman, has responded by calling for a meeting this week with Mr Sigbjørn Johnsen, the finance minister, for an explanation of the state's intentions.

The clash between the state and DnB and Christiania Bank, also under state control, began last month when the banks rejected a demand from the BIF for a 1994 dividend payment equivalent to 50 per cent of net profits. This compared with DnB's proposal of 30 per cent and Christiania's 34 per cent payout plan.

DnB and Christiania were among several commercial banks rescued from collapse by state cash injections of more than Nkr25bn (\$4bn) during the country's worst post-war banking crisis. The state took a 72 per cent stake in DnB, 69 per cent of Christiania and fully owns Fokus Bank, the third largest bank. The banks returned to profit in 1994 and the dividends will be their first since 1989.

The battle has so far been confined to one of words, with veiled threats by the BIF to seek a bonus dividend if the banks refuse to meet the dividend demand.

The group is closing or selling as much as half of its current production capacity to cut annual costs by SKr1.2bn and reach a targetted 20 per cent operating margin.

Last year its margin improved to 17.3 per cent from 15.5 per cent.

R & D expenditure rose 8 per cent on a pro-forma basis to SKr3.76bn, or 14 per cent of revenues.

The group plans to lift its dividend to SKr2.60 from SKr2.20 a share.

The key to the world.



This key is attributed to the Emperor Charles V, the first sovereign who could justly claim that the sun never set on his empire. The sun also never sets on Swiss Bank Corporation. We're the most international Swiss bank, with numerous branches and subsidiaries in major cities all over the world. Our key people on site have detailed knowledge about interesting new opportunities in their specific markets. Combined with our networking power, this gives us the know-how to achieve optimum diversification of your investments. Whatever your individual performance orientation - short-term gain or long-term growth - our investment proposals are tailored to fit your personal needs. And they're backed, of course, by an excellent and very personal service.



Swiss Bank Corporation
Your key private bankers.

Basel Frankfurt Geneva Grand Cayman Hong Kong Jersey/Channel Islands Lausanne London Lugano Luxembourg Monaco Nassau New York Panama Paris Singapore Toronto Zurich

National Express

significant short-term capital expenditure to modernise its bus fleet. Given the difficulty in acquiring more regional airports, buses will at least provide National Express with short-term earnings drive. But without more far-reaching government initiatives to promote public transport, the medium-term outlook for buses looks pedestrian.

National Express first approached the group with an offer late last year after the bus operator, which has a 2,800-vehicle fleet, postponed plans for a flotation.

Investment Trusts	NAV (\$)	Attributable Earnings (\$)	EPS (\$)	Current payment (\$)	Date of payment	Corresponding dividend	Total for year	Total last year	
Flamingo High Income	9 mths to Jan 31	95.7 (117.9)	1.04 (1.11)	3.21 (3.45)	1.15*	Apr 3	1.1	-	4.4
Holston Select Inc	15 mths Dec 31	89 (-)	0.985 (-)	3.07 (-)	1.5	Apr 28	-	3	-
Midstream Dev Fund	6 mths to Jan 31	480.4 (410.8)	0.854 (0.302)	5.05 (4.99)	2.75	May 12	2.75	-	11

Dividends shown net. Flamingo in brackets are for corresponding period. 10% increased capital. *SUSAN stock. *Adjusted for acc't issue. *After exceptional credit. *After exceptional charge.
 *For 1993, for 12 mths to Dec 31, 1993. *Total holding purchase 3.35 to date. *After exchange. *Midstream credit 2.250 payment.

present year but prices were better in the second half 1994 than the first and the

better in the second half
1994 than the first and the
trend had continued.

		1994*	1993
Total Assets	DM billion	64.7	62.5
Balance Sheet Total	DM billion	63.2	61.4
Claims on Customers	DM billion	24.9	24.8
Liabilities	DM billion	35.3	36.0
Certificated Liabilities	DM billion	20.3	18.1
Equity Capital	DM billion	2.0	1.9
Operating Income	DM million	189	184
Profit	DM million	89	86

COMPANY NEWS: UK

Fairey rises 18% and buys Loma for £18m

By Tim Burt

Fairey Group, the industrial electronic and specialist engineering company, yesterday stepped up the expansion of its electronics business with the £18.2m acquisition of Loma Group, the privately-owned detection equipment manufacturer.

Fairey, which has spent almost £50m expanding the electronics division in the past six months, said the deal would make it one of the world's leading suppliers of contamination control products.

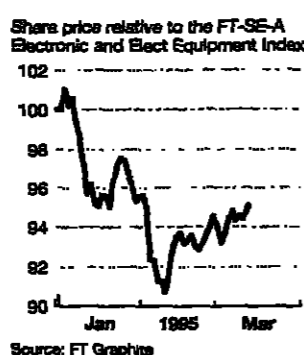
Improved contributions from the division - the group's largest - helped lift pre-tax profits by 18 per cent from £21.8m to £25.8m on sales up from £130.2m to £145.1m.

Mr John Poulter, chief executive, said the integration of Loma would increase annual sales to about £180m and enhance earnings.

"We're not buying cheap assets but income generation, and it fits well with the technologies and markets of several other Fairey businesses."

It is funding the deal with £13.2m of debt and a 38p share placing.

Fairey Group



Strong demand for products such as sensors and infra-red equipment fuelled a 29 per cent increase in operating profits in the electronics division to £13.4m (£10.4m).

Mr Poulter predicted that the division's dominance of the group - it provides about half of group turnover - would grow as the company integrated Imaging Technology, acquired for £18.2m (£8.4m) last summer, and Randomat, the US controls business acquired for £37m in December.

Profits in the electrical power business, however fell from £4.1m to £3.5m as sales

of insulating equipment declined. Mr Poulter admitted it was a blemish on the results but said it had been balanced by improved figures in the two remaining divisions. Aerospace and defence increased to £4.5m (£3.5m) and filtration and specialised ceramics rose to £3.6m (£3.4m).

Earnings per share rose 21 per cent to 22.8p (18.9p), while the proposed final dividend has been increased from 4p to 4.75p, making 7p (5.9p) for the year.

COMMENT

Fairey may have established its name as the power behind some famous aircraft, but it now derives most thrust from its high margin electronics division. Such is the cash generation in this business, that it expects to have paid down its debts by the end of the year and can then target other takeovers. In the meantime, rising demand for sensors and solid defence sales should lift profits to about £35m. Given those prospects and the group's growth record, the shares, up 3p at 389p, remain a worthwhile investment even on a premium forward multiple of 14.

Licensing deals help Scotia cut its losses

By Daniel Green

Higher sales and increased income from licensing deals helped cut pre-tax losses at Scotia Holdings, the biotechnology company, from £8.4m to £3.6m for the year to December 31.

The company has applied to regulatory authorities in the UK, Ireland and Denmark to sell its most advanced cancer drug, EF13.

Further applications would be made, said Mr David Horrobin, chief executive, and the first applications for another drug - EF4 for a complication of diabetes called diabetic neuropathy - would also be made within the next three months.

Mr Horrobin warned, however, that health regulators were "likely to come back with questions" because of the unusual nature of the drugs.

Scotia specialises in using the chemistry of fats to make medicines, rather than the proteins usually studied by other biotechnology companies. It also has a nutritional business based on Evening Primrose Oil.

Research and development of Scotia's four next most important drug projects - in radiotherapy, cancer, arthritis and blocked arteries - were "on track".

The company also listed another 16 products in early research and development it said could enter late stage trials by 1997. They include products designed to treat cancer, arthritis, asthma, Alzheimer's disease, schizophrenia and alcoholism.

Turnover was £22.7m compared with £19m in 1993. Sales and royalties from nutritional supplements and drugs accounted for £15.5m (£11.3m), with the balance coming from licensing deals.

Mr Horrobin said that government pressure to cut the costs of treating skin problems - which are not life threatening - had reduced sales in the dermatological sector.

Research and development spending rose to £11.6m (£8.5m). The loss per share was 5.5p (12.5p).

The shares rose 17p to 350p.

Expansion programme on target and margins up in second half to 24.1% Takare advances 41% to £21.1m

By Motoko Rich

Mr Keith Bradshaw, chairman of Takare, the UK's leading nursing home group, yesterday said there were insufficient nursing homes to handle demographic shifts in the population, but that it was not Takare's role to "solve a national problem".

He made the remarks as the group announced 1994 pre-tax profits up 41 per cent from £14.9m to £21.1m.

Takare, which began constructing 1,770 beds last year - at the top end of its target - said it would continue to build 1,800 beds a year. "We might build a few more if we find some good sites," the chairman said. "But our role is to guarantee consistent quality at an affordable price. We can only

grow if we have the money for it and if we can manage it."

Takare, which derives 86 per cent of its turnover from state-funded customers, saw its earnings, which grew 5.5 per cent to 14.5p (13.7p), diluted by the impact of a rights issue in September 1993.

Because of the building programme, the company went from net cash of £10.1m on December 31 1993 to year-end net debt of £27m - gearing of 40 per cent. Mr Bradshaw said the company had £80m in committed five-year bank facilities.

The profits were achieved on turnover up 23.7 per cent to £90m (£72.8m). The group had 8,810 beds in operation, against 5,800 in 1993, with an occupancy rate of 97 per cent.

Margins improved in the second half, up to 24.1 per cent

from 23.1 per cent in the first half. Mr Bradshaw said the company had benefited from economies of scale.

Average revenue per bed was up 2 per cent at £213 per week (£207).

In administrative expenses, the company included £210,000 in severance costs for Mr Devorok Pritchard, former managing director who was stripped of his executive duties last year.

A recommended final dividend of 1.5p makes a total of 2.3p (2.07p) for the year.

COMMENT

The nursing home sector has been under a cloud as investors have grown weary of an apparently unquenchable demand for equity capital. Takare has said it believes it can

fund its planned rate of growth without recourse to shareholders, and its bank facilities appear to back up its claims.

That cannot be an indefinite promise, however, and meanwhile dividend prospects are moderate because the cash generated by the business is ploughed into further construction. As the market leader, Takare may be able to postpone a rights issue longer than the smaller players simply because its size affords it more flexibility in seeking alternative sources of funding. On top of that, it has continued to deliver profits in line with expectations. On pre-tax profit forecasts for the current year of £25m to £26m, the prospective p/e of 12 may be a bit low but reflects the risks within the sector.

JIB expands 12% to £24.4m

By Ralph Atkins, Insurance Correspondent

JIB Group, the insurance broker in which Jardine Matheson has a majority stake, yesterday reported a 12 per cent rise in 1994 pre-tax profits from £21.8m to £24.4m, but its results were spoiled by the weak performance of a London market broker acquired late in 1993.

Nicolls Pointing, which specialises in placing US energy and gas risks, reduced JIB's profits by some £500,000, largely as a result of difficulties in finding underwriting capacity in London.

Financing the acquisition, absorbed about £17m of a £20m rights issue launched by JIB in September 1993.

Mr Nick Cosh, finance direc-

tor, admitted the group "regretted the price that we paid" for Nicolls Pointing. But the group would benefit from the high quality staff which has been merged with the rest of JIB. Mr Andrew Pitt, insurance analyst at Barclays de Zoete Wedd, said the acquisition had been "mildred".

Also having a small negative impact on profits was Besso, which specialises in placing North American liability business. Besso has now been sold to its management.

Largely because of the dilution effect of the rights issue, earnings per share rose by only 1 per cent to 11.5p. The dividend per share was unchanged at 7.5p.

Group turnover increased by 6 per cent to £226.2m, helped particularly by new business

in the Asia Pacific region where revenues were up 22 per cent on 1993.

Profits from the region also increased, despite the cost of relocating JIB's Asia Pacific headquarters from Sydney to Hong Kong and start-up expenses of offices in Vietnam and India.

Underlying growth in turnover, after adjusting for acquisitions and exchange rates, was 5 per cent. On the same basis, expenses increased by 2 per cent. Investment income fell from £13.9m, against £18.9m.

Mr Rodney Leach, JIB chairman, said operating margins had been increased for the third year. "We anticipate further growth, particularly in the fast-growing economies of Asia," he added.

Bae completes non-core disposal

By Simon London, Property Correspondent

British Aerospace, which has been concentrating its property activities on business parks, is selling a portfolio of retail and leisure properties for £107m.

The buyer is a private property investment company headed by Mr David Aspin, for-

mer managing director of Burwood House, a property joint venture in which Bae retains a 50 per cent stake.

In addition to its Burwood House stake, Bae's property interests are now concentrated on the main business park assets of Arlington Securities, which it acquired in 1990.

Bae said that the sale had been achieved at a price close

to the book value of the assets at the last valuation.

It added that the sale completed its planned deal of non-core properties.

The largest properties being sold are the 280,000 sq ft Haymarket shopping centre and the site of a former department store in Leicester, and the Boardwalk leisure complex at Port Solent, Portsmouth.

Eurocamp shares fall on statement

By David Blackwell

Shares in Eurocamp, the tour operator specialising in self-drive camping holidays, fell 14p to 249p yesterday after Mr Tom Neville, chairman, spoke of tough market conditions.

Mr Neville told the annual meeting that, in contrast to 1994, this year's campaign had been "characterised by a much more difficult market environment, particularly since the new year." His statement spoke of a marked reduction in summer holiday bookings at travel agents, of two small new self-catering businesses finding life difficult, and of Dutch bookings falling back.

However, the group's total bookings were showing a cumulative increase of just under 10 per cent, and "we expect the business as a whole to progress and to achieve a satisfactory final result".

The tone of the statement puzzled City analysts. One described it as a cross piece of PR, asking why it was so negative.

City forecasts for this year stand at just under £10m. The group reported pre-tax profits of £8.65m (£6.25m) for the year to October 31 1994.

Singer & Friedlander downturn

By Patrick Harverson

Singer & Friedlander, the diversified merchant banking group, yesterday reported a drop in pre-tax profits from £34.4m to £26.6m for 1994.

However, excluding various exceptional items in 1993 and last year, the group's profits rose by 10 per cent to £24.6m (£22.4m), a performance which analysts said was creditable given the difficult conditions in financial markets.

Behind the improvement in underlying profits was a jump in fee and commission income to £28.3m (£16.4m), which helped offset a big drop in dealing profits from £8.5m to £1.5m. Recently, the group has been switching the emphasis of its business from property and stock investments into developing fee-based businesses.

On current conditions, Mr

John Hodson, chief executive, said Singer had made a "satisfactory" start to the year, but was cautious about the longer term outlook for 1995 and said the corporate lending market remained very competitive.

However, he said the group remained on the look-out for opportunities to buy into new businesses that would complement its core financial services operations.

Last year, Singer completed several acquisitions, including the commercial banking business of Credit Lyonnais Bank Nederland and a majority interest in Carnegie, the international broking group.

Profits from merchant banking and investment management rose only slightly to £16.3m (£16.1m), and Mr Hodson said growth in the bank's loan book, not including the contributions from recent

acquisitions, had been modest. Fees from corporate finance rose, while the Collins Stewart stock broking business rebounded from a poor first half to achieve higher profits.

Provisions for bad and doubtful debts climbed to £2.8m (£2.2m), and the group wrote off £3.8m, compared to just £20,000 in 1993, on its holdings of longer-term fixed-income securities.

Singer's property portfolio, now valued at about £55m, contributed £4.4m (£4m), and the group earned £5.4m (£4.3m) from its 30 per cent stake in People's Phone, the provider of mobile phone services.

Earnings per share were 9.57p (13.18p), and a final dividend of 2.1p makes a total of 3.5p (3p). Analysts forecast pre-tax profits of £28.5m for 1995, which would produce a multiple of 8.3.

Sime Darby

Sime Darby Group

INTERIM ANNOUNCEMENT

HIGHLIGHTS OF UNAUDITED CONSOLIDATED RESULTS FOR THE HALF-YEAR ENDED 31ST DECEMBER 1994

	1994	1993
	RM Million	
TURNOVER	4,652.3	3,913.0
PROFIT BEFORE TAXATION	482.7	419.7
EARNINGS	250.9	203.9
EXTRAORDINARY ITEMS	(33.6)	19.1
Per share - sen		
EARNINGS	12.2	10.6
GROSS DIVIDEND	3.5	3.5

Profit before taxation of RM482.7 million for the current six months was 15% higher than the previous corresponding period. Earnings increased by 23% while earnings per share improved to 12.2 sen.

CONSORZIO IRICAV UNO

General Contractor for T.A.V. Treno Alta Velocità S.p.A. for the section Rome-Naples

ABSTRACT OF CALL FOR BIDS NOTICE No. 11

The Consorzio IRICAV UNO, with headquarters in Rome, Via Tavaglieri, 17 - 00155 ROME - Tel. + 39 6/23.19.71 - Fax + 39 6/23.08.316, announces for and on behalf of the consortium member and assignee Società Consortile PEGASO, formed by the consortium members Ansaldo Trasporti S.p.A., Astaldi S.p.A., Consorzio Cooperative Costruzioni, the summary of the procedure for bids, according to Directive 93/38 EEC of 14.06.1993, for the assignment of the works for the realisation of the "Galleria Massima" (tunnel) and adjacent works.

Place of work: Municipality of Zagarolo, Province of Rome. Method of adjudication: offer of unitary prices according to Art. 5 of Italian law 14/73.

The offers should not exceed Lit. 26,000,000,000 (twenty six billion) excluding VAT.

Prevailing category A.N.C. (National Register of Constructors) 15, unlimited amount.

The interested companies should send their offers of participation to arrive by 1 p.m. on 4th April 1995, according to the regulations of the Complete Call for Bids Notice which was sent to the Publications Office of the European Community on 24th February 1995 and to the official journal (Gazzetta Ufficiale) of the Republic of Italy on 27th February 1995.

Explanatory notes, as well as a copy of the complete call for bids are available to interested companies from the headquarters of Consorzio IRICAV UNO - Ufficio Affidamenti e Contratti - from 06.03.1995.

CONSORZIO IRICAV UNO
THE CHAIRMAN
Ing. Angelo FLORES

CONSORZIO IRICAV UNO

General Contractor for T.A.V. Treno Alta Velocità S.p.A. for the section Rome-Naples

ABSTRACT OF CALL FOR BIDS NOTICE No. 10

The Consorzio IRICAV UNO, with headquarters in Rome, Via Tavaglieri, 17 - 00155 ROME - Tel. + 39 6/23.19.71 - Fax + 39 6/23.08.316, announces for and on behalf of the consortium member and assignee Società Consortile PEGASO, formed by the consortium members Ansaldo Trasporti S.p.A., Astaldi S.p.A., Consorzio Cooperative Costruzioni, the summary of the procedure for bids, according to Directive 93/38 EEC of 14.06.1993, for the assignment of the civil works in reinforced concrete and movement of materials relative to: viaducts, buildings, interferences, cuttings and embankments.

Place of work: Municipalities of Gavignano and Anagni (Rome). Method of adjudication: offer of unitary prices according to Art. 5 of Italian law 14/73.

The offers should not exceed Lit. 18,000,000,000 (eighteen billion) excluding VAT.

Prevailing category A.N.C. (National Register of Constructors) 6, minimum capacity Lit. 15 billion.

The interested companies should send their offers of participation to arrive by 1 p.m. on 4th April 1995, according to the regulations of the Complete Call for Bids Notice which was sent to the Publications Office of the European Community on 24th February 1995 and to the official journal (Gazzetta Ufficiale) of the Republic of Italy on 27th February 1995.

Explanatory notes, as well as a copy of the complete call for bids are available to interested companies from the headquarters of Consorzio IRICAV UNO - Ufficio Affidamenti e Contratti - from 06.03.1995.

CONSORZIO IRICAV UNO
THE CHAIRMAN
Ing. Angelo FLORES

CONSORZIO IRICAV UNO

General Contractor for T.A.V. Treno Alta Velocità S.p.A. for the section Rome-Naples

ABSTRACT OF CALL FOR BIDS NOTICES No. 13-14-15

The Consorzio IRICAV UNO, with headquarters in Rome, Via Tavaglieri, 17 - 00155 ROME - Tel. + 39 6/23.19.71 - Fax + 39 6/23.08.316, announces for and on behalf of the consortium members and assignees CONITAV S.p.A. and Società ICL S.p.A. the summary of the procedure for a round of bids, according to Directive 93/38 EEC of 14.06.1993, for the assignment of the civil railway works and relative subsidiary and interfering works; method of adjudication: offer of unitary prices according to Art. 5 of Italian law 14/73.

CONTRACT No. 13: Consortium member and assignee CONITAV S.p.A. formed by the consortium members and assignees Società Italiana per Condotta d'Acqua S.p.A. and Italstrade S.p.A. Assignment of the civil railway works and subsidiary works between the kilometric sections 73+607 and 75+816 consisting of: movement of materials, structures (viaduct, underpass, walls and drains) interferences, roadworks and hydraulic installations.

Place of work: Municipalities of Ferentino, Morolo, Supino, Province of Frosinone.

The offers should not exceed Lit. 20,629,000,000 (twenty billion six hundred and twenty nine million) excluding VAT. Prevailing category A.N.C. (National Register of Constructors) 6, unlimited amount.

CONTRACT No. 14: Consortium member and assignee ICL S.p.A. Assignment of the civil railway works and subsidiary works between the kilometric sections 145+660 and 147+144 consisting of: movement of materials, a viaduct, an artificial tunnel, minor structures, interferences, roadworks, hydraulic installations and a service building.

Place of work: Municipality of Mignano Montelungo, Province of Caserta.

The offers should not exceed Lit. 20,510,000,000 (twenty billion five hundred and ten million) excluding VAT. Prevailing category A.N.C. (National Register of Constructors) 6, unlimited amount.

CONTRACT No. 15: Consortium member and assignee ICL S.p.A. Assignment of the civil railway works and subsidiary works between the kilometric sections 121+372 and 123+174 consisting of: movement of materials, five railway bridges, minor structures, interferences, hydraulic installations and a service building.

Place of work: Municipality of Aquino, Province of Frosinone.

The offers should not exceed Lit. 11,430,000,000 (eleven billion four hundred and thirty million) excluding VAT. Prevailing category A.N.C. (National Register of Constructors) 6, minimum capacity Lit. 15 billion.

The interested companies should send their offers of participation to arrive by 1 p.m. on 4th April 1995, according to the regulations of the Complete Call for Bids Notice which was sent to the Publications Office of the European Community on 24th February 1995 and to the official journal (Gazzetta Ufficiale) of the Republic of Italy on 27th February 1995.

Notice is given that the Consortium will adjudicate, in one sitting, the contracts relevant to the calls for bids 13-14-15, each object of a specific announcement.

The adjudication will be made in the above mentioned numerical order and each Company will be assigned only one contract within the round.

Explanatory notes, as well as a copy of the complete calls for bids are available to interested companies from the headquarters of Consorzio IRICAV UNO - Ufficio Affidamenti e Contratti - from 06.03.1995.

CONSORZIO IRICAV UNO
THE CHAIRMAN
Ing. Angelo FLORES



SOVEREIGN (FOREX) LIMITED
24 HOUR MARGIN TRADING FACILITY
COMPETITIVE PRICES
DAILY FAX SERVICE
Tel: 0171 - 931 9188 Fax: 0171 - 931 7114
42a Beaufort Square, London SW1W 0BZ

COMMODITIES AND AGRICULTURE

Beef market stabilises as EU exports shrink

By Frances Williams in Geneva

Shrinking beef exports by the European Union have expanded opportunities for other beef exporters, and helped stabilise supplies and prices in the world market, according to a report published today by the World Trade Organisation.

The EU's beef and veal exports last year dropped below 1m tonnes for the first time since 1991, leaving it in second place to Australia as

the world's top beef exporter. The report, the latest in an annual series on international meat markets, predicts a further 17 per cent fall in EU beef exports in 1995, compensated by increased sales elsewhere.

Reforms to the EU's Common Agricultural Policy also led to a sharp fall in beef stocks, which reached a historic low of an estimated 120,000 tonnes by the end of 1994. This compares with the record 1992 level of 1.1m

tonnes, which then represented almost a quarter of annual world beef trade.

In a special annex to the report, the WTO says lower trade barriers and reduced export subsidies resulting from the Uruguay Round global trade accords will expand export opportunities and strengthen prices.

Just three markets - the EU, US and South Korea - are scheduled to increase beef imports by nearly 1m tonnes

by the year 2000. World exports last year totalled 4.5m tonnes or some 9 per cent of global production.

The global market for meat last year was characterised by large supplies of red and white meat and rising demand, especially in South Korea and other countries of east Asia, according to the report.

The WTO expects world meat output to expand further in 1995, with a parallel increase in demand in line with eco-

nomics recovery. Conditions seem to be set for a "relatively good year" in the international meat markets, the report says, though large US supplies could put downward pressure on domestic beef prices.

The International Markets for Meat 1994/95, (SFR25), and Special Annex: Summary of the Results of the Uruguay Round in the Meat Sector, (SFR15). Available from WTO, Centre William Rappard, 154 rue de Lausanne, CH-1211 Geneva 21.

'Encouraging' start for new Sydney wool futures contract

By Nikki Tait in Sydney

Trading began yesterday in a new deliverable wool futures contract on the Sydney Futures Exchange, the only such contract worldwide.

According to exchange officials, business was fairly gentle at the outset, although they noted that there was some activity in contracts with August 1996 delivery and described the long-term nature of this interest as "encouraging".

The introduction of the new contract is further evidence that the wool market has returned to the wool market.

Less than two years ago, the market was floundering in the face of some of the lowest prices seen in this century, and the presence of the giant 824,000 tonnes stockpile that had built up in Australia - the source of about 30 per cent of world wool production - as the result of an earlier price guarantee system.

The turnaround came in 1994, when European buyers returned to the market and Chinese purchasing intensified. The 21-micron wool price rose by about 50 per cent dur-

ing the year overall, and this allowed Wool International, a newly-formed organisation charged with disposing of Australia's stockpile, to begin a regular fixed schedule of sales aimed at reducing the wool "mountain".

For the Sydney futures market, the introduction of the new contract marks a step back in time. The exchange was formed as the Sydney Greasy Wool Futures Exchange in 1960, and in 1973 traded almost 200,000 wool futures contracts, equivalent to about 3m bales.

However, activity in the wool contracts declined in 1990s, and after the reserve price scheme was introduced, the exchange decided to halt trading in deliverable contracts. A cash settlement contract for wool continued - and continues - to trade on the SFE, but interest has been very limited and volumes small.

The re-establishment of a deliverable contract was recommended by the influential Garnaut report, published in mid-1993, which looked at ways to pull Australia's wool industry out of its crisis. The report noted that the most success-

fully traded futures contracts were those which allowed physical delivery, but stressed that the re-introduction of a deliverable wool futures contract would be dependent on the "means of providing confidence in the ability to deliver".

The new contract is for the greasy equivalent of 2,500 clean-weight kilograms of merino fleece wool with a fibre diameter of 21 microns. The contract months are February, April, June, August, October and December up to 18 months ahead. The last day of trading will be the third Thursday of the contract month.

In general, stockpile wool will not be eligible for delivery because of the contract specifications. The SFE acknowledged that this problem would be overcome if stockpile wool was repacked, retested and reappraised but said that the cost of this was likely to be prohibitive. Nevertheless, Wool International has lent support to the new contracts with its chief executive, Mr Bob Richardson, saying that it would be "a vital tool for risk management in the wool industry" and should receive industry support.

UK producers pedal uphill on the pig cycle

The sector is back in profit after 20 months of losses, but maybe not for long

After about 20 months of losses pig producers are back in profit. It has been the longest and most difficult dip in the notorious pig cycle that I can remember - and I have been in the pig business since I was a teenager, well over 40 years.

Inevitably many specialist pig producers have been forced out of business. That is how the pig cycle traditionally corrects itself. Unlike some sectors of agriculture pig farmers receive little European Union aid to help them survive such a period nor is their production controlled by quotas.

Market forces rule and now that Britain is part of a single market overproduction in fellow member states spills over into this country even more easily than before. That is one of the reasons why poor returns continued for so long.

The European pig herd has now been cut, however, albeit modestly. Recent estimates suggest that on December 1 1994 (the latest assessment available) the number of pigs across the EU was down 3 per cent compared with the same date the previous year. In Britain there was a reduction of 3.9 per cent and in Germany, the biggest consumer of pig-meat, a drop of 7.7 per cent. In France, perhaps significantly because during the crisis French pig farmers received what was later judged as illegal aid from their government,

FARMER'S VIEWPOINT



By David Richardson

Producers throughout Europe have endured similar losses to those in the UK. Historically loss-making periods have seldom lasted more than 6 months. So, why did it take so long this time for pig numbers to drop and for prices to recover?

One reason is that there are fewer pig farmers than there were - the result of previous years' losses. Those that remain have bigger herds and are more committed. They cannot afford to get in and out of production as prices change. With the assistance of their bankers and their feed suppliers, who often agree to deferred payment terms, they hang on in as long as possible. Another reason is that many pig farmers are also arable farmers and the last couple of years have been good for crops. Many such producers, ourselves included, have sub-

sided pig enterprises out of arable profits. Whether that was wise or foolish only time will tell. But there have been times during the last 20 months when I have questioned the wisdom of pouring money into the enterprise knowing full well the result would be a return of about 80p for every £1 spent.

What is needed now, by the pig producers who have survived, is a sustained period of reasonable profits during which we can recoup losses. However, the odds on that happening are not good. Forecasts by the Meat and Livestock Commission and others suggest only about a 10 per cent improvement in the average price for the year can be expected. But will even that happen? And if it does will it last?

Pig farmers can be their own worst enemies. When prices move into the red some will expand production significantly. This can be done very quickly. Keep a female pig for just a couple of months beyond slaughter weight, put her to the boar, and four months later you have a litter of perhaps 12 pigs. Five months after that those 12 are ready to go to market as meat. So the whole scene can change in less than a year.

But on July 1 the General Agreement on Tariffs and Trade settlement comes into force. It will reduce the volume of sub-

sidised EU exports to third countries - a device that has been used to help clear surplus stocks in the past. Should surplus stocks in excess of the Gatt reduced export allowances, build up again, they could only be exported at world prices, which are not much more than half the UK level.

Another bearish factor includes the fact that pig meat cannot claim top spot on the UK butcher's slab. Beef enjoys that position and although the beef market is in balance at present there are signs that it may be over-supplied before too long. Pig meat is always sold at a discount to beef, so if its price falls, pork can normally be expected to precede it downwards.

Faced with this uncertain future progressive UK pig farmers, supported by the National Farmers' Union and grant aided by Ministry of Agriculture, are investigating launching a national quality assurance scheme to differentiate their production and secure a quality market outlets. This QA scheme will need to include agreed standards of housing, feeding and of course, animal welfare.

And therein lies yet another problem for some pig farmers - although not, I am pleased to say, ourselves. An estimated 38 per cent of British producers keep their breeding females in stalls or tethers. A few years ago, in response to the animal

welfare lobby, Mr John Gummer, the then minister of agriculture, announced that such systems of pig keeping would be banned in the UK from January 1 1999.

It was a unilateral measure at the time. Other EU member states later agreed to take similar action in 2005. Meanwhile many already British UK farmers are faced with the considerable outlay involved in converting to open strawed yards or similar and with funding the extra running costs of such systems, which I can confirm from personal experience.

A survey conducted recently by the NFU and Pig Farming magazine revealed that this prospect had persuaded 15 per cent of those farmers now keeping pigs to get out of the business before 1999 rather than spend the money. A further 28 per cent said they were still undecided.

The NFU and others are demanding that the chancellor of the exchequer grants tax relief on conversion or encourages to help such pig farmers finance new buildings. If this is not done, the union says, UK production will fall 12 per cent, with an implied cost to the balance of payments of £282m a year. Furthermore, there is no way, under EU rules, to prevent lower-cost pigmeat from other EU countries, produced under conditions which will be illegal here, from flooding our markets.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Unimolmetal Metal Trading)

ALUMINIUM, 99.7 PURITY (% per tonne)

Month	Price	Change
Close	1819.20	1800.41
Previous	1809.10	1845.46
High/Low	1819/1812.5	1805/1847
AM Official	1812.5-13.5	1805-80.5
Kerb close	1812.5-13.5	1805.5-84.0
Open Int.	219.537	
Total daily turnover	117,802	

ALUMINIUM ALLOY (% per tonne)

Month	Price	Change
Close	1810.20	1805.40
Previous	1805.20	1845.46
High/Low	1810/1805.2	1805/1847
AM Official	1805.2-13.5	1805-80.5
Kerb close	1805.2-13.5	1805.5-84.0
Open Int.	219.537	
Total daily turnover	117,802	

LEAD (% per tonne)

Month	Price	Change
Close	559.70	559.34
Previous	559.70	559.34
High/Low	559.70/559.34	559.34/559.34
AM Official	559.34-54.5	559.34-54.5
Kerb close	559.34-54.5	559.34-54.5
Open Int.	37,533	
Total daily turnover	8,412	

NICKEL (% per tonne)

Month	Price	Change
Close	7610.20	7750.40
Previous	7610.20	7750.40
High/Low	7610/7610.2	7750/7750.4
AM Official	7610.2-13.5	7750-80.5
Kerb close	7610.2-13.5	7750.5-84.0
Open Int.	57,797	
Total daily turnover	15,641	

ZINC (% per tonne)

Month	Price	Change
Close	5495.90	5590.41
Previous	5495.90	5590.41
High/Low	5495.90/5495.90	5590.41/5590.41
AM Official	5495.90-54.5	5590.41-54.5
Kerb close	5495.90-54.5	5590.41-54.5
Open Int.	15,526	
Total daily turnover	6,706	

COPPER, grade A (% per tonne)

Month	Price	Change
Close	1017.18	1044.45
Previous	1017.18	1044.45
High/Low	1017.18/1017.18	1044.45/1044.45
AM Official	1017.18-13.5	1044.45-80.5
Kerb close	1017.18-13.5	1044.45-80.5
Open Int.	37,533	
Total daily turnover	8,412	

COPPER, grade B (% per tonne)

Month	Price	Change
Close	2919.20	2919.14
Previous	2919.20	2919.14
High/Low	2919.20/2919.20	2919.14/2919.14
AM Official	2919.20-13.5	2919.14-80.5
Kerb close	2919.20-13.5	2919.14-80.5
Open Int.	234,805	
Total daily turnover	95,823	

LME Closing 5% Rate 1.9932

Month	Price	Change
Close	385.50-385.70	
Previous	385.50-385.70	
High/Low	385.50/385.70	
AM Official	385.50-385.70	
Kerb close	385.50-385.70	
Open Int.	234,805	
Total daily turnover	95,823	

SPECIAL 2000 2 1/2 1.9932 5 mmt 1.9932 5 mmt 1.9932

Month	Price	Change
Close	385.50-385.70	
Previous	385.50-385.70	
High/Low	385.50/385.70	
AM Official	385.50-385.70	
Kerb close	385.50-385.70	
Open Int.	234,805	
Total daily turnover	95,823	

HIGH GRADE COPPER (COMEX)

Month	Price	Change
Close	130.70	130.70
Previous	130.70	130.70
High/Low	130.70/130.70	130.70/130.70
AM Official	130.70-13.5	130.70-80.5
Kerb close	130.70-13.5	130.70-80.5
Open Int.	37,533	
Total daily turnover	8,412	

PRECIOUS METALS

LONDON BULLION MARKET

(Prices supplied by N M Bullion)

GOLD (tray oz)

Month	Price	Change
Close	385.50-385.70	
Previous	385.50-385.70	
High/Low	385.50/385.70	
AM Official	385.50-385.70	
Kerb close	385.50-385.70	
Open Int.	234,805	
Total daily turnover	95,823	

SILVER (tray oz)

Month	Price	Change
Close	2919.20	2919.14
Previous	2919.20	2919.14
High/Low	2919.20/2919.20	2919.14/2919.14
AM Official	2919.20-13.5	2919.14-80.5
Kerb close	2919.20-13.5	2919.14-80.5
Open Int.	234,805	
Total daily turnover	95,823	

PLATINUM (tray oz)

Month	Price	Change
Close	1017.18	1044.45
Previous	1017.18	1044.45
High/Low	1017.18/1017.18	1044.45/1044.45
AM Official	1017.18-13.5	1044.45-80.5
Kerb close	1017.18-13.5	1044.45-80.5
Open Int.	37,533	
Total daily turnover	8,412	

PALLADIUM (tray oz)

Month	Price	Change
Close	5495.90	5590.41
Previous	5495.90	5590.41
High/Low	5495.90/5495.90	5590.41/5590.41
AM Official	5495.90-54.5	5590.41-54.5
Kerb close	5495.90-54.5	5590.41-54.5
Open Int.	15,526	
Total daily turnover	6,706	

NATURAL GAS NYMEX (10,000 US gal; US gal)

Month	Price	Change
Close	1.82	1.82
Previous	1.82	1.82
High/Low	1.82/1.82	1.82/1.82
AM Official	1.82-13.5	1.82-80.5
Kerb close	1.82-13.5	1.82-80.5
Open Int.	234,805	
Total daily turnover	95,823	

NATURAL GAS NYMEX (10,000 US gal; US gal)

Month	Price	Change
Close	1.82	1.82
Previous	1.82	1.82
High/Low	1.82/1.82	1.82/1.82
AM Official	1.82-13.5	1.82-80.5
Kerb close	1.82-13.5	1.82-80.5
Open Int.	234,805	
Total daily turnover	95,823	

NATURAL GAS NYMEX (10,000 US gal; US gal)

Month	Price	Change
Close	1.82	1.82
Previous	1.82	1.82
High/Low	1.82/1.82	1.82/1.82
AM Official	1.82-13.5	1.82-80.5
Kerb close	1.82-13.5	1.82-80.5
Open Int.	234,805	
Total daily turnover	95,823	

NATURAL GAS NYMEX (10,000 US gal; US gal)

Month	Price	Change
Close	1.82	1.82
Previous	1.82	1.82
High/Low	1.82/1.82	1.82/1.82
AM Official	1.82-13.5	1.82-80.5
Kerb close	1.82-13.5	1.82-80.5
Open Int.	234,805	
Total daily turnover	95,823	

NATURAL GAS NYMEX (10,000 US gal; US gal)

Month	Price	Change
Close	1.82	1.82
Previous	1.82	1.82
High/Low	1.82/1.82	1.82/1.82
AM Official	1.82-13.5	1.82-80.5
Kerb close	1.82-13.5	1.82-80.5
Open Int.		

INTERNATIONAL CAPITAL MARKETS

Italian prices slide on political worries

By Graham Bowley in London and Lisa Branstetter in New York

Italian government bonds fell sharply yesterday over continued political worries and further weakness of the lira.

Signs of division among Italy's opposition parties threw doubt on any future government's ability to tackle the country's fiscal problems and unsettled the bond market.

Attention is now on the mini-budget, which is expected to receive its final vote of approval from parliament today. However, analysts said most of the news on the budget is already discounted and pension reform, also crucial if the government is to reduce the fiscal deficit, remains a longer-term concern.

"There is room for some positive news on the mini-budget and on pension reform but the reality is that Italy faces some serious political problems which jeopardise the government's ability to make serious inroads into the budget deficit," said Mr John Hall at SBC.

The Italian June futures contract on Liffe fell by 1.02 to settle at 82.84. The yield spread over German government bonds widened out to 82 basis points from 62 points at the beginning of trading.

Spanish bonds were also dragged lower by political worries, with the June contract on the Spanish futures exchange down 0.25 to 81.25.

Other European bond markets were subdued, with dealers waiting for key US data due later this week.

Fewer than 55,700 German bund contracts and 22,700 UK gilts contracts were traded on Liffe.

German government bonds moved down slightly but ended above their lows for the day. The Germany yield curve continued to steepen, with the short-dated end outperforming as investors continued to seek the safety offered by such maturities, according to Ms Ros Liffon of Daiwa in London.

"After interest rate hikes in some European countries last week, some investors are betting on the Bundesbank cutting German interest rates at Thursday's meeting," which is also causing steepening of the yield curve, she said.

The euro-D-Mark contract on Liffe has rallied in recent days, shedding about 20 basis points.

GOVERNMENT BONDS

In yield terms, as investors anticipate a German rate cut. However, Ms Liffon said that the Bundesbank is unlikely to cut interest rates.

UK gilts ended broadly unchanged with economic data, showing a lower than expected rise in producer prices, having little effect. Domestic institutions continue to support the market when it falls to lower levels, although it lacks momentum at higher levels, said Mr Simon Briscoe, of SG Warburg.

French government bonds fell back in subdued trading with the yield spread over bunds broadly stable at around 84 basis points.

Ms Nathalie Fillet, at Paribas in Paris, said that, unless the French franc weakens markedly, the spread is likely to remain at these levels until the forthcoming general election.

US Treasury prices were mixed yesterday morning as investors awaited economic news due later in the week and speculated about the future course of monetary policy.

At midday the benchmark 30-year Treasury was unchanged at 101 1/2 to yield 7.456 per cent. At the short end of the market, the two-year note was up 1/8 at 100 1/2, yielding 6.782 per cent.

Later this week, important data will be released on producer prices, consumer prices and industrial production and capacity utilisation.

The market has rallied recently as traders have bet that the economy was slowing

without the need for another interest rate increase, but analysts expect it to be jittery for the rest of this week as investors wait for more signals about inflationary pressures.

Some are worried that the Federal Reserve might raise rates to shore up the currency, but press reports yesterday said a majority of Fed governors were hesitant about more monetary tightening.

The yield curve, which maps the yield spread between two-year and 30-year Treasuries, steepened from 85 basis points late on Friday to 70 points. A steepening curve usually indicates that the market expects economic growth, but much of the recent steepening has been attributed to traders unwinding positions held since earlier this year.

The market largely ignored the dollar's recent slide against the Japanese yen and the D-Mark. A declining dollar is usually detrimental to the bond market because it deters foreign investors from buying US securities.

Gap revealed in emerging markets learning curve

For executives at the major futures and options clearing houses in the US and London, the Barings crisis recalled lessons learned in February 1990, when Drexel Burnham Lambert went under.

In that instance, as with Barings, customer positions and margin monies were quickly transferred out of the failed firm's accounts and into stronger hands.

Customer capital and the integrity of the clearing houses were never in danger in either instance.

The process of transferring "live" derivatives positions and their accompanying margin funds from insolvent to healthy firms has been so carefully supervised by the last few years that exchange customers in the US and the UK have come to assume that these procedures are uniform around the globe.

In fact, however, the procedures are particularly Anglo-centric, and have been learned from hard experience in countries where organised futures markets have been operating for more than a century.

In emerging markets, where futures trading is new but already booming, the Barings situation highlighted a gap in the learning curve, and picked the one area of global finance where a lack of uniformity in business practices could have created substantial systemic risk.

US and UK futures firms, confident in the efficiency of the US and London clearing houses, were surprised to find that their customer funds at the Tokyo, Singapore, and Osaka exchanges had been frozen by the Barings administrators.

The situation briefly recalled the London tin crisis of 1985 (The London Metals Exchange at that time did not have a clearing house) where customer positions were frozen for as long as six months, and the

subsequent litigation lasted for years.

With ING having stepped in to relieve the situation, futures firms, their regulators, and exchange clearing houses are now looking for ways to standardise crisis procedures worldwide.

Their first opportunity to discuss the aftermath of Barings face-to-face will be this week in Florida, at the annual meeting of the Futures Industry Association.

DERIVATIVE INSTRUMENTS

"Quite clearly laws, rules, and regulations [with regard to bankruptcies] need to be made harmonious so that customer money is protected," says Mr Eric Bertelheim, a partner at the London law office of Rogers and Wells.

Mr Bertelheim was employed to educate the Barings administrators on the urgency of releasing Barings' customer positions at futures exchanges in Asia.

Customer assets should be segregated and procedures should be in place for the rapid appointment of a trustee whose sole interest is to protect customers and who has the authority to move money and positions so that customers do not become involved in what could become a prolonged settlement process," said Mr Bertelheim.

The clearing house executives who supervised the fallout from Barings agree that far more open communications between exchanges and their regulators would help the next time around.

"These are the '90s," says Mr John Hyatt, head of the Chicago Board of Trade clearing house, "there is a high chance these days that if a firm goes down, it will have been operating in a number of regulatory jurisdictions."

Although nearly everyone drawn into the Barings crisis has their own laundry-list of futures reforms, it appears that the global trend toward exchange linkages will be the best medicine for the next crisis.

In the Barings situation, the Chicago Mercantile Exchange's 10-year-old link with the Simek allowed Kathryn Meyer, chief of the CME's clearing house, immediate access to Singapore, and gave her means of intermediating for CME member firms caught in the crisis.

Similarly, a history of co-operation between the US Commodity Futures Trading Commission, the UK's SIB, and Japanese finance authorities sped up the communications process between regulators.

In the UK, where links are being contemplated between the IPE and Simek for Brent crude oil futures and between Liffe and the Tokyo International Financial Futures Exchange for Euroyen futures, and where joint ventures with Chicago are perennially discussed, co-operation between clearing houses can only do good, says Mr David Hardy, chief executive of the London Clearing House.

Not only do such links lead to more uniform regulatory standards and open up communications he says, but in the places where they span time zones, they relieve market pressure during times of crisis.

"Despite the competitive considerations between exchanges, people are beginning to look at linkages in a more enlightened way," says Mr Hardy.

"When they serve to lengthen the trading day [as with the IPE and Simek proposal], they reduce market pressure in unusual situations," he says. "The resulting volatility would be less for clearing houses as well as members."

Laurie Morse

Canada to tap loans market for US\$5bn

By Graham Bowley

Canada is to borrow US\$5bn on the international loans market in a deal arranged by Citibank.

Citibank is said to have been mandated to bring the loan facility and the terms are expected to be announced over the next few days.

Citibank arranged Canada's current \$4bn three-year credit facility in late 1993, which carried a standby fee of 5 basis points and an all-in borrowing cost of 10 basis points over the London interbank offered rate.

The 1993 loan refinanced a \$3bn revolving credit facility set up in 1978 and refinanced usually every two years.

The loan will include provisions for dual currency drawings, observers said.

Valencia asks for bids on D-Mark deal

By Martin Brice

The Spanish region of Valencia is planning a D-Mark floating-rate note issue. It has asked 35 banks to bid for the deal, and a decision is likely later this week, syndicate managers said.

INTERNATIONAL BONDS

The issue is likely to be around DM250m, and will probably be swapped into Ecu. The bond is expected to give Valencia D-Marks at a double-figure margin over Liffe.

When it comes, the deal is likely to provide the euro-market with some much-needed action. Arbitrage opportunities have been severely limited by swap spreads remaining very tight.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount	Coupon	Price	Maturity	Yield	Spread	Book runner
SWISS FRANCHES							
Crédit Local de France	100	5.25	102.40	May 2000	1.50	-	Swiss Bank Corp.
ITALIAN LIFE							
BNQ	150bn	12.00	101.25	Jun 1997	1.25	-	Swiss Bank Corp.
LUXEMBOURG FRANCHES							
ArgentaBank Luxembourg	2bn	7.35	100.00	Apr 2000	1.75	-	BCEE

Final terms, non-callable unless stated. Yield spread over relevant government bonds at launch supplied by lead manager. *Unlisted. R: fixed re-call price less shown at re-call level. L: Long 10 coupon.

Dollar swap spreads at the short end tightened slightly yesterday and syndicate managers said spreads now need to widen very considerably before arbitrage opportunities are sufficient for borrowers to return to the bond market.

Yesterday was very quiet, but late in the day Bank Nederland Gemeenten, the AAA-rated Dutch municipal finance institution, brought a L150bn

two-year deal carrying a 12 per cent coupon via SBC, which said the issue was aimed at retail Italian buyers, but there had been some institutional interest. The proceeds are believed to have been swapped.

Shinhan Bank, the South Korean bank, has signed a \$1bn euro-commercial paper programme arranged by Lehman Brothers. Notes under a

BENCHMARK GOVERNMENT BONDS

	Coupon	Red Date	Price	Yield	Week ago	Month ago
Australia	9.000	05/04	93.2100	-0.699	10.13	10.21
Austria	7.500	01/05	99.1000	-0.070	7.83	7.70
Belgium	7.750	10/04	96.5400	-0.020	8.31	8.32
Canada	9.000	12/04	102.9000	-0.600	8.55	8.91
Denmark	7.000	12/04	96.2500	-0.720	9.18	8.95
France	6.000	05/06	101.0600	-0.050	7.59	7.60
Germany	6.250	01/05	99.3000	-0.030	8.20	8.13
Ireland	6.250	10/04	92.2500	-0.811	8.30	8.79
Italy	9.500	01/05	90.3000	-0.020	13.11	13.56
Japan	4.500	05/09	105.1410	-0.347	3.57	4.00
Netherlands	4.500	09/04	103.7740	-0.529	4.05	4.21
Portugal	7.750	03/05	101.5200	-0.030	7.53	7.60
Spain	11.875	02/05	98.2500	-0.650	12.00	11.64
Sweden	10.000	02/05	107.0000	-0.390	12.31	12.23
Switzerland	6.000	02/05	97.7900	-0.220	11.20	11.08
UK Gilts	9.000	01/05	99.2500	-0.020	8.55	8.49
US Treasury	9.000	10/08	102.25	-0.422	8.65	8.53
	7.500	02/05	102.44	-0.152	7.85	7.59
	7.000	01/05	101.31	-0.152	7.45	7.10
ECU (French Govt)	6.000	04/04	83.4100	-0.200	8.71	8.58

London clearing, "New York mid-day".
Yields: Local market standard.
Source: M&S International

US INTEREST RATES

	One month	Three month	Six month	One year	Two year	Three year	Five year	Seven year	Ten year
Prime rate	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
Broker rate	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
90-day T-bill	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
1-year T-bill	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
2-year T-bill	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
3-year T-bill	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
5-year T-bill	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
7-year T-bill	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
10-year T-bill	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50

Source: M&S International

BOND FUTURES AND OPTIONS

	Open	Settle	Change	High	Low	Est. vol.	Open int.
Mar	110.76	110.64	-0.32	110.76	110.60	26,767	27,023
Jun	110.66	110.52	-0.28	110.66	110.44	97,116	100,401
Sep	110.24	110.18	-0.26	110.24	110.16	100,554	

Source: M&S International

FRANCE

	Open	Settle	Change	High	Low	Est. vol.	Open int.
Mar	110.76	110.64	-0.32	110.76	110.60	26,767	27,023
Jun	110.66	110.52	-0.28	110.66	110.44	97,116	100,401
Sep	110.24	110.18	-0.26	110.24	110.16	100,554	

Source: M&S International

GERMANY

	Open	Settle	Change	High	Low	Est. vol.	Open int.
Mar	110.76	110.64	-0.32	110.76	110.60	26,767	27,023
Jun	110.66	110.52	-0.28	110.66	110.44	97,116	100,401
Sep	110.24	110.18	-0.26	110.24	110.16	100,554	

Source: M&S International

UK GILTS PRICES

	Open	Settle	Change	High	Low	Est. vol.	Open int.
Mar	110.76	110.64	-0.32	110.76	110.60	26,767	27,023
Jun	110.66	110.52	-0.28	110.66	110.44	97,116	100,401
Sep	110.24	110.18	-0.26	110.24	110.16	100,554	

Source: M&S International

BUND FUTURES OPTIONS (LFFE) DM250,000 points of 100%

	Open	Settle	Change	High	Low	Est. vol.	Open int.
Mar	93.58	93.54	-0.02	93.74	92.48	34,929	46,027
Jun	91.58	91.54	-0.02	91.74	90.48	34,929	46,027
Sep	89.58	89.54	-0.02	89.74	88.48	34,929	46,027

Source: M&S International

ITALY

	Open	Settle	Change	High	Low	Est. vol.	Open int.
Mar	93.58	93.54	-0.02	93.74	92.48	34,929	46,027
Jun	91.58	91.54	-0.02	91.74	90.48	34,929	46,027
Sep	89.58	89.54	-0.02	89.74	88.48	34,929	46,027

Source: M&S International

SPANISH

	Open	Settle	Change	High	Low	Est. vol.	Open int.
Mar	81.52	81.48	-0.28	81.85	81.35	47,615	11,480
Jun	81.52	81.48	-0.28	81.85	81.35	47,615	11,480
Sep	79.52	79.48	-0.28	79.85	79.35	47,615	11,480

Source: M&S International

UK

	Open	Settle	Change	High	Low	Est. vol.	Open int.
Mar	101.00	101.13	-0.01	101.13	101.00	892	18,883
Jun	101.00	101.13	-0.01	101.13	101.00	892	18,883
Sep	99.00	99.13	-0.01	99.13	99.00	892	18,883

Source: M&S International

EURO

	Open	Settle	Change	High	Low	Est. vol.	Open int.
Mar	80.64	80.56	-0.28	80.64	80.54	805	1,544
Jun	80.64	80.56	-0.28	80.64	80.54	805	1,544
Sep	78.64	78.56	-0.28	78.64	78.54	805	1,544

Source: M&S International

JAPAN

	Open	Settle	Change	High	Low	Est. vol.	Open int.
Mar	111.55	111.55	0.00	111.77	111.55	2356	0
Jun	111.55	111.55	0.00	111.77	111.55	2356	0
Sep	109.55	109.55	0.00	109.77	109.55	2356	0

Source: M&S International

OTHER FIXED INTEREST

Prospective real redemption rates on projected initiation of 11.10% and (22.5%). (a) Figures in parentheses show RPI base for indexing for 6 months prior to issue and have been added to reflect releasing of RPI to 100 in February 1987. Conversion factor 3.945. RPI for June 1984: 144.7; and for January 1985: 149.8.						
0.52	00.7	+0	08.2	7718		
0.61	103.8	+0	120.3	10033		
0.59	103.5	+0	127.4	10079		
0.37	73.6	+0	93.6	71.4		
0.35	94.24	+0	117.9	62		
Other Fixed Interest						
				Yield		1984/85

merging
curve

CURRENCIES AND MONEY

MARKETS REPORT

Solid maiden trading from new unified rand

The South African rand yesterday successfully weathered its first day of trading as a unified currency following the abolition of the financial rand, writes Philip Cuthbert.

Against all expectations, it finished the day three cents firmer, closing at R3.6225 against the dollar, from R3.6255 on Friday. There had been fears that a huge rush of money out of the country would put the rand under pressure.

Elsewhere, foreign exchanges were quieter than in recent days, without any being any shift to underlying trends. Central bankers continued their efforts to suggest that last week's movements had been exaggerated, without much effect.

Rumours of concerted interest rate moves from the G3 countries to stabilise markets were fuelled by the Bank of Japan's money market operations. Three-month CD's

were issued at 2.15 per cent, their lowest level since July 1994, encouraging speculation of a cut in official rates.

The D-Mark maintained its recent strength, with the franc and the lira both particularly weak. The franc closed at FF357.3, from FF355.9, while the lira finished at L1,302 from L1,305.

The dollar had a fairly stable day in Europe, closing at DM1.4053, from DM1.4145, and ¥90.225, from ¥91.24.

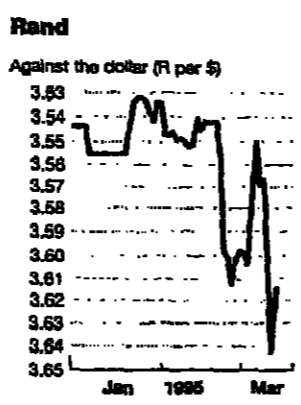
After touching a new historic low during Asian trading of DM2.2155, sterling recovered in Europe to close in London at DM2.2364. The trade-weighted index finished at 85.3, after opening at 84.7.

South Africa's financial officials could not have expected yesterday's trading to go so smoothly as it did. The expected outflow of currency did not materialise, and foreign exchange reserves are understood to have ended the day higher than they started.

The Reserve Bank was active in the market as a guarantor of liquidity amid nervous trading conditions. The step into the unknown, coupled with the potential for very sharp price moves, made traders nervous initially to put a toe in the water.

According to traders, the initiative was taken by the Reserve Bank which offered to buy dollars at R3.68. Apparently at that level there was a willingness to sell dollars, both from South African exporters, and from foreign investors.

Whether the latter were unwinding long positions, or preparing to buy South African assets was unclear. But South African bond and equities did finish the day a bit firmer.



currency would probably have finished below R3.60 to the dollar had it not been for the activities of the central bank.

Although happy with the maiden voyage of the rand, 1995 style, officials and bankers were cautious about the rand's longer term prospects. Some observers believe the currency is overvalued at current levels, while there is also a realisation that the rand is exposed to the vagaries of international capital flows in a way which was not previously the case.

As far as the major currencies were concerned, yesterday was a further day of consolidation. Analysts drew attention to the weakness of the franc, despite the fact that the dollar was trading around DM1.40, up from its recent lows.

Mr Jeremy Hawkins, chief economist at the Bank of America in London, said it appeared as if the European Monetary System had become an issue in itself. Previously

EURO CURRENCY INTEREST RATES

MONEY RATES									
March 13	Over night	One month	Three months	Six months	One year	Long term	Debt	Repo	Rate
Belgium	5%	6%	7%	7%	7%	7.40	4.50	-	-
France	5%	6%	7%	7%	7%	7.40	4.50	-	-
Germany	5%	6%	7%	7%	7%	7.40	4.50	-	-
Italy	5%	6%	7%	7%	7%	7.40	4.50	-	-
Netherlands	5%	6%	7%	7%	7%	7.40	4.50	-	-
Spain	5%	6%	7%	7%	7%	7.40	4.50	-	-
UK	5%	6%	7%	7%	7%	7.40	4.50	-	-
US	5%	6%	7%	7%	7%	7.40	4.50	-	-
Japan	5%	6%	7%	7%	7%	7.40	4.50	-	-

EURO CURRENCY INTEREST RATES

EURO CURRENCY INTEREST RATES									
March 13	Over night	One month	Three months	Six months	One year	Long term	Debt	Repo	Rate
Belgium	5%	6%	7%	7%	7%	7.40	4.50	-	-
France	5%	6%	7%	7%	7%	7.40	4.50	-	-
Germany	5%	6%	7%	7%	7%	7.40	4.50	-	-
Italy	5%	6%	7%	7%	7%	7.40	4.50	-	-
Netherlands	5%	6%	7%	7%	7%	7.40	4.50	-	-
Spain	5%	6%	7%	7%	7%	7.40	4.50	-	-
UK	5%	6%	7%	7%	7%	7.40	4.50	-	-
US	5%	6%	7%	7%	7%	7.40	4.50	-	-
Japan	5%	6%	7%	7%	7%	7.40	4.50	-	-

POUND SPOT FORWARD AGAINST THE POUND

Mar 13	Closing	Change	Day's	One month	Three months	One year	Bank of
	mid-point	on day	Mid	Rate	Rate	Rate	Eng. Index
Europe	(Sch)	15.7420	-0.0037	336	504	15.7036	15.5665
Austria	(Sch)	15.7420	-0.0037	336	504	15.7036	15.5665
Belgium	(Sch)	15.7420	-0.0037	336	504	15.7036	15.5665
Denmark	(Sch)	15.7420	-0.0037	336	504	15.7036	15.5665
Finland	(Sch)	15.7420	-0.0037	336	504	15.7036	15.5665
France	(Sch)	15.7420	-0.0037	336	504	15.7036	15.5665
Germany	(Sch)	15.7420	-0.0037	336	504	15.7036	15.5665
Greece	(Sch)	15.7420	-0.0037	336	504	15.7036	15.5665
Italy	(Sch)	15.7420	-0.0037	336	504	15.7036	15.5665
Netherlands	(Sch)	15.7420	-0.0037	336	504	15.7036	15.5665
Spain	(Sch)	15.7420	-0.0037	336	504	15.7036	15.5665
Sweden	(Sch)	15.7420	-0.0037	336	504	15.7036	15.5665
Switzerland	(Sch)	15.7420	-0.0037	336	504	15.7036	15.5665
UK	(Sch)	15.7420	-0.0037	336	504	15.7036	15.5665
US	(Sch)	15.7420	-0.0037	336	504	15.7036	15.5665

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Mar 13	Closing	Change	Day's	One month	Three months	One year	JP Morgan
	mid-point	on day	Mid	Rate	Rate	Rate	Index
Europe	(Sch)	15.7420	-0.0037	336	504	15.7036	15.5665
Austria	(Sch)	15.7420	-0.0037	336	504	15.7036	15.5665
Belgium	(Sch)	15.7420	-0.0037	336	504	15.7036	15.5665
Denmark	(Sch)	15.7420	-0.0037	336	504	15.7036	15.5665
Finland	(Sch)	15.7420	-0.0037	336	504	15.7036	15.5665
France	(Sch)	15.7420	-0.0037	336	504	15.7036	15.5665
Germany	(Sch)	15.7420	-0.0037	336	504	15.7036	15.5665
Greece	(Sch)	15.7420	-0.0037	336	504	15.7036	15.5665
Italy	(Sch)	15.7420	-0.0037	336	504	15.7036	15.5665
Netherlands	(Sch)	15.7420	-0.0037	336	504	15.7036	15.5665
Spain	(Sch)	15.7420	-0.0037	336	504	15.7036	15.5665
Sweden	(Sch)	15.7420	-0.0037	336	504	15.7036	15.5665
Switzerland	(Sch)	15.7420	-0.0037	336	504	15.7036	15.5665
UK	(Sch)	15.7420	-0.0037	336	504	15.7036	15.5665
US	(Sch)	15.7420	-0.0037	336	504	15.7036	15.5665

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES									
Mar 13	DF	DFR	DM	L	FR	NK	Y	CS	Y
Belgium	(Sch)	100	15.7420	4.836	2.171	5813	5.426	25.09	4.027
Denmark	(Sch)	100	15.7420	4.836	2.171	5813	5.426	25.09	4.027
France	(Sch)	100	15.7420	4.836	2.171	5813	5.426	25.09	4.027
Germany	(Sch)	100	15.7420	4.836	2.171	5813	5.426	25.09	4.027
Italy	(Sch)	100	15.7420	4.836	2.171	5813	5.426	25.09	4.027
Netherlands	(Sch)	100	15.7420	4.836	2.171	5813	5.426	25.09	4.027
Spain	(Sch)	100	15.7420	4.836	2.171	5813	5.426	25.09	4.027
Sweden	(Sch)	100	15.7420	4.836	2.171	5813	5.426	25.09	4.027
Switzerland	(Sch)	100	15.7420	4.836	2.171	5813	5.426	25.09	4.027
UK	(Sch)	100	15.7420	4.836	2.171	5813	5.426	25.09	4.027
US	(Sch)	100	15.7420	4.836	2.171	5813	5.426	25.09	4.027

EURO CURRENCY INTEREST RATES

EURO CURRENCY INTEREST RATES									
Mar 13	Over night	One month	Three months	Six months	One year	Long term	Debt	Repo	Rate
Belgium	5%	6%	7%	7%	7%	7.40	4.50	-	-
France	5%	6%	7%	7%	7%	7.40	4.50	-	-
Germany	5%	6%	7%	7%	7%	7.40	4.50	-	-
Italy	5%	6%	7%	7%	7%	7.40	4.50	-	-
Netherlands	5%	6%	7%	7%	7%	7.40	4.50	-	-
Spain	5%	6%	7%	7%	7%	7.40	4.50	-	-
UK	5%	6%	7%	7%	7%	7.40	4.50	-	-
US	5%	6%	7%	7%	7%	7.40	4.50	-	-
Japan	5%	6%	7%	7%	7%	7.40	4.50	-	-

MARGINED FOREIGN EXCHANGE TRADING

MARGINED FOREIGN EXCHANGE TRADING
Fast, Competitive Quotes 24 Hours
Tel: +44 71 815 0400
Fax: +44 71 329 3919

INVESTORS - TRADERS - CORPORATE TREASURERS
SATQUOTE™ - Your single source for real time quotes.
Futures • Options • Stocks • Forex • News • Via Satellite
LONDON • 71 329 3377
NEW YORK • 212 504 6866
FRANKFURT • 49 69 40071

FUTURES & OPTIONS
FOR AN EFFICIENT & COMPETITIVE SERVICE

BERKELEY FUTURES LIMITED
88 DOVER STREET, LONDON W1X 3BB
TEL: 0171 629 1133 FAX: 0171 495 0022

YOUR PERSONAL REUTERS FINANCIAL REPORTER
Currencies, Futures, Indices and the latest news updates.
Futures Pager keeps you in touch with the markets 24 hrs a day.
FOR YOUR FREE 10 DAY TRIAL, FREEPHONE 0800 456 456 TODAY

TAX-FREE SPECULATION IN FUTURES
To obtain your free guide to how your Financial Reporter can help you, call 0171 629 1133 or write to: I.G. Index Ltd, 1 Watling Road, London SW1E 5ER.

CMS FutureView
Real-time working version of Futures/Options prices. Soft, Agricultural, Financial, Energy, Metals, FX, News, Charting, PC windows version. Available in the UK and Europe via a dedicated 24-hour service.

FT WORLD TAX REPORT
Professional financial information direct to your PC for a low fixed cost.

FREEPHONE 0800 321 321 FAX 0171 398 1001

Currency or Bond Fax - FREE 2 week trial
also daily gold and silver prices
Call Anne Whitley
Tel: 0171-734 7172
Fax: 0171-439 4966

24HR FC
0171-865 0800

TREND ANALYSIS LTD
Daily Analysis & Trading Recommendations by Fax
FOREX • METALS • BONDS • COMMODITIES
For FREE TRIAL Phone 01622 877764
Fax 01424 774667

PHILIP ALLEN & SONS
SECURITIES AND FUTURES LIMITED
100 Abchurch Lane, London EC4N 3DF
Tel: (44) 71 417 9720 Fax: (44) 71 417 9719

WANT TO KNOW A SECRET?
The L.D.S. Gann Seminar will show you how the markets REALLY work. The amazing trading techniques of the legendary W.D. Gann can increase your profits and contain your losses. How? That's the secret. Book your FREE place. Phone 0171 585 5858.

Hanwha Chemical Corporation

Hanwha Chemical Corporation
(Incorporated in the Republic of Korea with limited liability)

Notice to the holders of the outstanding U.S. \$56,000,000 of 3 1/2% per cent. Convertible Bonds due 2006 (the "Bonds") of Hanwha Chemical Corporation (the "Company")

NOTICE IS HEREBY GIVEN to the holders of the Bonds that the dividend in shares with the ratio of 0.04 share per share was approved by the general meeting of shareholders held on 27th February, 1995. The record date for the dividend was 31st December, 1994. Pursuant to the provisions of the Trust Deed constituting the Bonds, the Conversion Price of the Bonds has been adjusted as a result of the dividend in shares from Won 12,990 to Won 12,690 effective from 1st January, 1995 (the day after the record date for the dividend).

14th March, 1995 Hanwha Chemical Corporation

UK INTEREST RATES

LONDON MONEY RATES									
Mar 13	Over night	7 days	One month	Three months	Six months	One year	Long term	Debt	Repo
Interbank Sterling	5%	6%	7%	7%	7%	7%	7%	7%	7%
Sterling CDs	5%	6%	7%	7%	7%	7%	7%	7%	7%
Treasury Bills	5%	6%	7%	7%	7%	7%	7%	7%	7%
Bank Bills	5%	6%	7%	7%	7%	7%	7%	7%	7%
Local authority debts	5%	6%	7%	7%	7%	7%	7%	7%	7%
Discount Market debts	5%	6%	7%	7%	7%	7%	7%	7%	7%

EURO CURRENCY INTEREST RATES

EURO CURRENCY INTEREST RATES									
Mar 13	Over night	7 days	One month	Three months	Six months	One year	Long term	Debt	Repo
Belgium	5%	6%	7%	7%	7%	7%	7%	7%	7%
France	5%	6%	7%	7%	7%	7%	7%	7%	7%
Germany	5%	6%	7%	7%	7%	7%	7%	7%	7%
Italy	5%	6%	7%	7%	7%	7%	7%	7%	7%
Netherlands	5%	6%	7%	7%	7%	7%	7%	7%	7%
Spain	5%	6%	7%	7%	7%	7%	7%	7%	7%
UK	5%	6%	7%	7%	7%	7%	7%	7%	7%
US	5%	6%	7%	7%	7%	7%	7%	7%	7%
Japan	5%	6%	7%	7%	7%	7%	7%	7%	7%

EURO CURRENCY INTEREST RATES

EURO CURRENCY INTEREST RATES									
Mar 13	Over night	7 days	One month	Three months	Six months	One year	Long term	Debt	Repo
Belgium	5%	6%	7%	7%	7%	7%	7%	7%	7%
France	5%	6%	7%	7%	7%	7%	7%	7%	7%
Germany	5%	6%	7%	7%	7%	7%	7%	7%	7%
Italy	5%	6%	7%	7%	7%	7%	7%	7%	7%
Netherlands	5%	6%	7%	7%	7%	7%	7%	7%	7%
Spain	5%	6%	7%	7%	7%	7%	7%	7%	7%
UK	5%	6%	7%	7%	7%	7%	7%	7%	7%
US	5%	6%	7%	7%	7%	7%	7%	7%	7%
Japan	5%	6%	7%	7%	7%	7%	7%	7%	7%

Signal

Signal
Real-time U.S. & international quotes on over 90,000 issues
As low as \$9/day. Call today:
44 + (0) 171 601 6101

BASE LENDING RATES

BANKS	CALLS				PUTS	
	Mar	Jun	Sep	Mar	Jun	Sep
0300	0.29	0.04	0.06	0.01	0.88	1.61
0320	0.02	0.01	0.01	0.02	0.80	1.38
0340		0.0	0.02	0.29	1.14	1.82

* 1st, 2nd, 3rd, 4th, 5th, 6th, 7th, 8th, 9th, 10th, 11th, 12th, 13th, 14th, 15th, 16th, 17th, 18th, 19th, 20th, 21st, 22nd, 23rd, 24th, 25th, 26th, 27th, 28th, 29th, 30th, 31st, 1st, 2nd, 3rd, 4th, 5th, 6th, 7th, 8th, 9th, 10th, 11th, 12th, 13th, 14th, 15th, 16th, 17th, 18th, 19th, 20th, 21st, 22nd, 23rd, 24th, 25th, 26th, 27th, 28th, 29th, 30th, 31st, 1st, 2nd, 3rd, 4th, 5th, 6th, 7th, 8th, 9th, 10th, 11th, 12th, 13th, 14th, 15th, 16th, 17th, 18th, 19th, 20th, 21st, 22nd, 23rd, 24th, 25th, 26th, 27th, 28th, 29th, 30th, 31st, 1st, 2nd, 3rd, 4th, 5th, 6th, 7th, 8th, 9th, 10th, 11th, 12th, 13th, 14th, 15th, 16th, 17th, 18th, 19th, 20th, 21st, 22nd, 23rd, 24th, 25th, 26th, 27th, 28th, 29th, 30th, 31st, 1st, 2nd, 3rd, 4th, 5th, 6th, 7th, 8th, 9th, 10th, 11th, 12th, 13th, 14th, 15th, 16th, 17th, 18th, 19th, 20th, 21st, 22nd, 23rd, 24th, 25th, 26th, 27th, 28th, 29th, 30th, 31st, 1st, 2nd, 3rd, 4th, 5th, 6th, 7th, 8th, 9th, 10th, 11th, 12th, 13th, 14th, 15th, 16th, 17th, 18th, 19th, 20th, 21st, 22nd, 23rd, 24th, 25th, 26th, 27th, 28th, 29th, 30th, 31st, 1st, 2nd, 3rd, 4th, 5th, 6th, 7th, 8th, 9th, 10th, 11th, 12th, 13th, 14th, 15th, 16th, 17th, 18th, 19th, 20th, 21st, 22nd, 23rd, 24th, 25th, 26th, 27th, 28th, 29th, 30th, 31st, 1st, 2nd, 3rd, 4th, 5th, 6th, 7th, 8th, 9th, 10th, 11th, 12th, 13th, 14th, 15th, 16th, 17th, 18th, 19th, 20th, 21st, 22nd, 23rd, 24th, 25th, 26th, 27th, 28th, 29th, 30th, 31st, 1st, 2nd, 3rd, 4th, 5th, 6th, 7th, 8th, 9th, 10th, 11th, 12th, 13th, 14th, 15th, 16th, 17th, 18th, 19th, 20th, 21st, 22nd, 23rd, 24th, 25th, 26th, 27th, 28th, 29th, 30th, 31st, 1st, 2nd, 3rd, 4th, 5th, 6th, 7th, 8th, 9th, 10th, 11th, 12th, 13th, 14th, 15th, 16th, 17th, 18th, 19th, 20th, 21st, 22nd, 23rd, 24th, 25th, 26th, 27th, 28th, 29th, 30th, 31st, 1st, 2nd, 3rd, 4th, 5th, 6th, 7th, 8th, 9th, 10th, 11th, 12th, 13th, 14th, 15th, 16th, 17th, 18th, 19th, 20th, 21st, 22nd, 23rd, 24th, 25th, 26th, 27th, 28th, 29th, 30th, 31st, 1st, 2nd, 3rd, 4th, 5th, 6th, 7th, 8th, 9th, 10th, 11th, 12th, 13th, 14th, 15th, 16th, 17th, 18th, 19th, 20th, 21st, 22nd, 23rd, 24th, 25th, 26th, 27th, 28th, 29th, 30th, 31st, 1st, 2nd, 3rd, 4th, 5th, 6th, 7th, 8th, 9th, 10th, 11th, 12th, 13th, 14th, 15th, 16th, 17th, 18th, 19th, 20th, 21st, 22nd, 23rd, 24th, 25th, 26th, 27th, 28th, 29th, 30th, 31st, 1st, 2nd, 3rd, 4th, 5th, 6th, 7th, 8th, 9th, 10th, 11th, 12th, 13th, 14th, 15th, 16th, 17th, 18th, 19th, 20th, 21st, 22nd, 23rd, 24th, 25th, 26th, 27th, 28th, 29th, 30th, 31st, 1st, 2nd, 3rd, 4th, 5th, 6th, 7th, 8th, 9th, 10th, 11th, 12th, 13th, 14th, 15th, 16th, 17th, 18th, 19th, 20th, 21st, 22nd, 23rd, 24th, 25th, 26th, 27th, 28th, 29th, 30th, 31st, 1st, 2nd, 3rd, 4th, 5th, 6th, 7th, 8th, 9th, 10th, 11th, 12th, 13th, 14th, 15th, 16th, 17th, 18th, 19th, 20th, 21st, 22nd, 23rd, 24th, 25th, 26th, 27th, 28th, 29th, 30th, 31st, 1st, 2nd, 3rd, 4th, 5th, 6th, 7th, 8th, 9th, 10th, 11th, 12th, 13th, 14th, 15th, 16th, 17th, 18th, 19th, 20th, 21st, 22nd, 23rd, 24th, 25th, 26th, 27th, 28th, 29th, 30th, 31st, 1st, 2nd, 3rd, 4th, 5th, 6th, 7th, 8th, 9th, 10th, 11th, 12th, 13th, 14th, 15th, 16th, 17th, 18th, 19th, 20th, 21st, 22nd, 23rd, 24th, 25th, 26th, 27th, 28th, 29th, 30th, 31st, 1st, 2nd, 3rd, 4th, 5th, 6th, 7th, 8th, 9th, 10th, 11th, 12th, 13th, 14th, 15th, 16th, 17th, 18th, 19th, 20th, 21st, 22nd, 23rd, 24th, 25th, 26th, 27th, 28th, 29th, 30th, 31st, 1st, 2nd, 3rd, 4th, 5th, 6th, 7th, 8th, 9th, 10th, 11th, 12th, 13th, 14th, 15th, 16th, 17th, 18th, 19th, 20th, 21st, 22nd, 23rd, 24th, 25th, 26th, 27th, 28th, 29th, 30th, 31st, 1st, 2nd, 3rd, 4th, 5th, 6th, 7th, 8th, 9th, 10th, 11th, 12th, 13th, 14th, 15th, 16th, 17th, 18th, 19th, 20th, 21st, 22nd, 23rd, 24th, 25th, 26th, 27th, 28th, 29th, 30th, 31st, 1st, 2nd, 3rd, 4th, 5th, 6th, 7th, 8th, 9th, 10th, 11th, 12th, 13th, 14th, 15th, 16th, 17th, 18th, 19th, 20th, 21st, 22nd, 23rd, 24th, 25th, 26th, 27th, 28th, 29th, 30th, 31st, 1st, 2nd, 3rd, 4th, 5th, 6th, 7th, 8th, 9th, 10th, 11th, 12th, 13th, 14th, 15th, 16th, 17th, 18th, 19th, 20th, 21st, 22nd, 23rd, 24th, 25th, 26th, 27th, 28th, 29th, 30th, 31st, 1st, 2nd, 3rd, 4th, 5th, 6th, 7th, 8th, 9th, 10th, 11th, 12th, 13th, 14th, 15th, 16th, 17th, 18th, 19th, 20th, 21st, 22nd, 23rd, 24th, 25th, 26th, 27th, 28th, 29th, 30th, 31st, 1st, 2nd, 3rd, 4th, 5th, 6th, 7th, 8th, 9th, 10th, 11th, 12th, 13th, 14th, 15th, 16th, 17th, 18th, 19th, 20th, 21st, 22nd, 23rd, 24th, 25th, 26th, 27th, 28th, 29th, 30th, 31st, 1st, 2nd, 3rd, 4th, 5th, 6th, 7th, 8th, 9th, 10th, 11th, 12th, 13th, 14th, 15th, 16th, 17th, 18th, 19th, 20th, 21st, 22nd, 23rd, 24th, 25th, 26th, 27th, 28th, 29th, 30th, 31st, 1st, 2nd, 3rd, 4th, 5th, 6th, 7th, 8th, 9th, 10th, 11th, 12th, 13th, 14th, 15th, 16th, 17th, 18th, 19th, 20th, 21st, 22nd, 23rd, 24th, 25th, 26th, 27th, 28th, 29th, 30th, 31st, 1st, 2nd, 3rd, 4th, 5th, 6th, 7th, 8th, 9th, 10th, 11th, 12th, 13th, 14th, 15th, 16th, 17th, 18th, 19th, 20th, 21st, 22nd, 23rd, 24th, 25th, 26th, 27th, 28th, 29th, 30th, 31st, 1st, 2nd, 3rd, 4th, 5th, 6th, 7th, 8th, 9th, 10th, 11th, 12th, 13th, 14th, 15th, 16th, 17th, 18th, 19th, 20th, 21st, 22nd, 23rd, 24th, 25th, 26th, 27th, 28th, 29th, 30th, 31st, 1st, 2nd, 3rd, 4th, 5th, 6th, 7th, 8th, 9th, 10th, 11th, 12th, 13th, 14th, 15th, 16th, 17th, 18th, 19th, 20th, 21st, 22nd, 23rd, 24th, 25th, 26th, 27th, 28th, 29th, 30th, 31st, 1st, 2nd, 3rd, 4th, 5th, 6th, 7th, 8th, 9th, 10th, 11th, 12th, 13th, 14th, 15th, 16th, 17th, 18th, 19th, 20th, 21st, 22nd, 23rd, 24th, 25th, 26th, 27th, 28th, 29th, 30th, 31st, 1st, 2nd, 3rd, 4th, 5th, 6th, 7th, 8th, 9th, 10th, 11th, 12th, 13th, 14th, 15th, 16th, 17th, 18th, 19th, 20th, 21st, 22nd, 23rd, 24th, 25th, 26th, 27th, 28th, 29th, 30th, 31st, 1st, 2nd, 3rd, 4th, 5th, 6th, 7th, 8th, 9th, 10th, 11th, 12th, 13th, 14th, 15th, 16th, 17th, 18th, 19th, 20th, 21st, 22nd, 23rd, 24th, 25th, 26th, 27th, 28th, 29th, 30th, 31st, 1st, 2nd, 3rd, 4th, 5th, 6th, 7th, 8th, 9th, 10th, 11th, 12th, 13th, 14th, 15th, 16th, 17th, 18th, 19th, 20th, 21st, 22nd, 23rd, 24th, 25th, 26th, 27th, 28th, 29th, 30th, 31st, 1st, 2nd, 3rd, 4th, 5th, 6th, 7th, 8th, 9th, 10th, 11th, 12th, 13th, 14th, 15th, 16th, 17th, 18th, 19th, 20th, 21st, 22nd, 23rd, 24th, 25th, 26th, 27th, 28th, 29th, 30th, 31st, 1st, 2nd, 3rd, 4th, 5th, 6th, 7th, 8th, 9th, 10th, 11th, 12th, 13th, 14th, 15th, 16th, 17th, 18th, 19th, 20th, 21st, 22nd, 23rd, 24th, 25th, 26th, 27th, 28th, 29th, 30th, 31st, 1st, 2nd, 3rd, 4th, 5th, 6th, 7th, 8th, 9th, 10th, 11th, 12th, 13th, 14th, 15th, 16th, 17th, 18th, 19th, 20th, 21st, 22nd, 23rd, 24th, 25th, 26th, 27th, 28th, 29th, 30th, 31st, 1st, 2nd, 3rd, 4th, 5th, 6th, 7th, 8th, 9th, 10th, 11th, 12th, 13th, 14th, 15th, 16th, 17th, 18th, 19th, 20th, 21st, 22nd, 23rd, 24th, 25th, 26th, 27th, 28th, 29th, 30th, 31st, 1st, 2nd, 3rd, 4th, 5th, 6th, 7th, 8th, 9th, 10th, 11th, 12th, 13th, 14th, 15th, 16th, 17th, 18th, 19th, 20th, 21st, 22nd, 23rd, 24th, 25th, 26th, 27th, 28th, 29th, 30th, 31st, 1st, 2nd, 3rd, 4th, 5th, 6th, 7th, 8th, 9th, 10th, 11th, 12th, 13th, 14th, 15th, 16th, 17th, 18th, 19th, 20th, 21st, 22nd, 23rd, 24th, 25th, 26th, 27th, 28th, 29th, 30th, 31st, 1st, 2nd, 3rd, 4th, 5th, 6th, 7th, 8th, 9th, 10th, 11th, 12th, 13th, 14th, 15th, 16th, 17th, 18th, 19th, 20th, 21st, 22nd, 23rd, 24th, 25th, 26th, 27th, 28th, 29th, 30th, 31st, 1st, 2nd, 3rd, 4th, 5th, 6th, 7th, 8th, 9th, 10th, 11th, 12th, 13th, 14th, 15th, 16th, 17th, 18th, 19th, 20th, 21st, 22nd, 23rd, 24th, 25th, 26th, 27th, 28th, 29th, 30th, 31st, 1st, 2nd, 3rd, 4th, 5th, 6th, 7th, 8th, 9th, 10th, 11th, 12th, 13th, 14th, 15th, 16th, 17th, 18th, 19th, 20th, 21st, 22nd, 23rd, 24th, 25th, 26th, 27th, 28th, 29th, 30th, 31st, 1st, 2nd, 3rd, 4th, 5th, 6th, 7th, 8th, 9th, 10th, 11th, 12th, 13th, 14th, 15th, 16th, 17th, 18th, 19th, 20th, 21st, 22nd, 23rd, 24th, 25th, 26th, 27th, 28th, 29th, 30th, 31st, 1st, 2nd, 3rd, 4th, 5th, 6th, 7th, 8th, 9th, 10th, 11th, 12th, 13th, 14th, 15th, 16th, 17th, 18th, 19th, 20th, 21st, 22nd, 23rd, 24th, 25th, 26th, 27th, 28th, 29th, 30th, 31st, 1st, 2nd, 3rd, 4th, 5th, 6th, 7th, 8th, 9th, 10th, 11th, 12th, 13th, 14th, 15th, 16th, 17th, 18th, 19th, 20th, 21st, 22nd, 23rd, 24th, 25th, 26th, 27th, 28th, 29th, 30th, 31st, 1st, 2nd, 3rd, 4th, 5th, 6th, 7th, 8th, 9th, 10th, 11th, 12th, 13th, 14th, 15th, 16th, 17th, 18th, 19th, 20th, 21st, 22nd, 23rd, 24th, 25th, 26th, 27th, 28th, 29th, 30th, 31st, 1st, 2nd, 3rd, 4th, 5th, 6th, 7th, 8th, 9th, 10th, 11th, 12th, 13th, 14th, 15th, 16th, 17th, 18th, 19th, 20th, 21st, 22nd, 23rd, 24th, 25th, 26th, 27th, 28th, 29th, 30th, 31st, 1st, 2nd, 3rd, 4th, 5th, 6th, 7th, 8th, 9th, 10th, 11th, 12th, 13th, 14th, 15th, 16th, 17th, 18th, 19th, 20th, 21st, 22nd, 23rd, 24th, 25th, 26th, 27th, 28th, 29th, 30th, 31st, 1st, 2nd, 3rd, 4th, 5th, 6th, 7th, 8th, 9th, 10th, 11th, 12th, 13th, 14th, 15th, 16th, 17th, 18th, 19th, 20th, 21st, 22nd, 23rd, 24th, 25th, 26th, 27th, 28th, 29th, 30th, 31st, 1st, 2nd, 3rd, 4th, 5th, 6th, 7th, 8th, 9th, 10th, 11th, 12th, 13th, 14th, 15th, 16th, 17th, 18th, 19th, 20th, 21st, 22nd, 23rd, 24th, 25th, 26th, 27th, 28th, 29th, 30th, 31st, 1st, 2nd, 3rd, 4th, 5th, 6th, 7th, 8th, 9th, 10th, 11th, 12th, 13th, 14th, 15th, 16th, 17th, 18th, 19th, 20th, 21st, 22nd, 23rd, 24th, 25th, 26th, 27th, 28th, 29th, 30th, 31st, 1st, 2nd, 3rd, 4th, 5th, 6th, 7th, 8th, 9th, 10th, 11th, 12th, 13th, 14th, 15th, 16th, 17th, 18th, 19th, 20th, 21st, 22nd, 23rd, 24th, 25th, 26th, 27th, 28th, 29th, 30th, 31st, 1st, 2nd, 3rd, 4th, 5th, 6th, 7th, 8th, 9th, 10th, 11th, 12th, 13th, 14th, 15th, 16th, 17th, 18th, 19th, 20th, 21st, 22nd, 23rd, 24th, 25th, 26th, 27th, 28th, 29th, 30th, 31st, 1st, 2nd, 3rd, 4th, 5th, 6th, 7th, 8th, 9th, 10th, 11th, 12th, 13th, 14th, 15th, 16th, 17th, 18th, 19th, 20th, 21st, 22nd, 23rd, 24th, 25th, 26th, 27th, 28th, 29th, 30th, 31st, 1st, 2nd, 3rd, 4th, 5th, 6th, 7th, 8th, 9th, 10th, 11th, 12th, 13th, 14th, 15th, 16th, 17th, 18th, 19th, 20th, 21st, 22nd, 23rd, 24th, 25th, 26th, 27th, 28th, 29th, 30th, 31st, 1st, 2nd, 3rd, 4th, 5th, 6th, 7th, 8th, 9th, 10th, 11th, 12th, 13th, 14th, 15th, 16th, 17th, 18th, 19th, 20th, 21st, 22nd, 23rd, 24th, 25th, 26th, 27th, 28th, 29th, 30th, 31st, 1st, 2nd, 3rd, 4th, 5th, 6th, 7th, 8th, 9th, 10th, 11th, 12th, 13th, 14th, 15th, 16th, 17th, 18th, 19th, 20th, 21st, 22nd, 23rd, 24th, 25th, 26th, 27th, 28th, 29th, 30th, 31st, 1st, 2nd, 3rd, 4th, 5th, 6th, 7th, 8th, 9th, 10th, 11th, 12th, 13th, 14th, 15th, 16th, 17th, 18th, 19th, 20th, 21st, 22nd, 23rd, 24th, 25th, 26th, 27th, 28th, 29th, 30th, 31st, 1st, 2nd, 3rd, 4th, 5th, 6th, 7th, 8th, 9th, 10th, 11th, 12th, 13th, 14th, 15th, 16th, 17th, 18th, 19th, 20th, 21st, 22nd, 23rd, 24th, 25th, 26th, 27th, 28th, 29th, 30th, 31st, 1st, 2nd, 3rd, 4th, 5th, 6th, 7th, 8th, 9th, 10th, 11th, 12th, 13th, 14th, 15th, 16th, 17th, 18th, 19th, 20th, 21st, 22nd, 23rd, 24th, 25th, 26th, 27th, 28th, 29th, 30th, 31st, 1st, 2nd, 3rd, 4th, 5th, 6th, 7th, 8th, 9th, 10th, 11th, 12th, 13th, 14th, 15th, 16th, 17th, 18th, 19th, 20th, 21st, 22nd, 23rd, 24th, 25th, 26th, 27th, 28th, 29th, 30th, 31st, 1st, 2nd, 3rd, 4th, 5th, 6th, 7th, 8th, 9th, 10th, 11th, 12th, 13th, 14th, 15th, 16th, 17th, 18th, 19th, 20th, 21st, 22nd, 23rd, 24th, 25th, 26th, 27th, 28th, 29th, 30th, 31st, 1st, 2nd, 3rd, 4th, 5th, 6th, 7th, 8th, 9th, 10th, 11th, 12th, 13th, 14th, 15th, 16th, 17th, 18th, 19th, 20th, 21st, 22nd, 23rd, 24th, 25th, 26th, 27th, 28th, 29th, 30th, 31st, 1st, 2nd, 3rd, 4th, 5th, 6th, 7th, 8th, 9th, 10th, 11th, 12th, 13th, 14th, 15th, 16th, 17th, 18th, 19th, 20th, 21st, 22nd, 23rd, 24th, 25th, 26th, 27th, 28th, 29th, 30th, 31st, 1st, 2nd, 3rd, 4th, 5th, 6th, 7th, 8th, 9th, 10th, 11th, 12th, 13th, 14th, 15th, 16th, 17th, 18th, 19th, 20th, 21st, 22nd, 23rd, 24th, 25th, 26th, 27th, 28th, 29th, 30th, 31st, 1st, 2nd, 3rd, 4th, 5th, 6th, 7th, 8th, 9th

INVESTMENT TRUSTS - Contd[illegible][illegible]

9.7	14.5/18 Seal Co. Inc.	94	0	1
9.8	Warrens	94	0	1
9.9	MINESOTA PAC Disc.	201	+2	
10.0	MINESOTA PAC	201	+2	
10.1	MINESOTA PAC	201	+2	
10.2	For MINESOTA Recovery	122	122	122
10.3	Inc. Switch Trk.	122	122	122
10.4	Investors Cap Growth	94	0	1
10.5	Investors Cap Growth	94	0	1
10.6	Investors Cap Growth	94	0	1
10.7	Investors Cap Growth	94	0	1
10.8	Investors Cap Growth	94	0	1
10.9	Investors Cap Growth	94	0	1
11.0	Investors Cap Growth	94	0	1
11.1	Investors Cap Growth	94	0	1
11.2	Investors Cap Growth	94	0	1
11.3	Investors Cap Growth	94	0	1
11.4	Investors Cap Growth	94	0	1
11.5	Investors Cap Growth	94	0	1
11.6	Investors Cap Growth	94	0	1
11.7	Investors Cap Growth	94	0	1
11.8	Investors Cap Growth	94	0	1
11.9	Investors Cap Growth	94	0	1
12.0	Investors Cap Growth	94	0	1
12.1	Investors Cap Growth	94	0	1
12.2	Investors Cap Growth	94	0	1
12.3	Investors Cap Growth	94	0	1
12.4	Investors Cap Growth	94	0	1
12.5	Investors Cap Growth	94	0	1
12.6	Investors Cap Growth	94	0	1
12.7	Investors Cap Growth	94	0	1
12.8	Investors Cap Growth	94	0	1
12.9	Investors Cap Growth	94	0	1
13.0	Investors Cap Growth	94	0	1
13.1	Investors Cap Growth	94	0	1
13.2	Investors Cap Growth	94	0	1
13.3	Investors Cap Growth	94	0	1
13.4	Investors Cap Growth	94	0	1
13.5	Investors Cap Growth	94	0	1
13.6	Investors Cap Growth	94	0	1
13.7	Investors Cap Growth	94	0	1
13.8	Investors Cap Growth	94	0	1
13.9	Investors Cap Growth	94	0	1
14.0	Investors Cap Growth	94	0	1
14.1	Investors Cap Growth	94	0	1
14.2	Investors Cap Growth	94	0	1
14.3	Investors Cap Growth	94	0	1
14.4	Investors Cap Growth	94	0	1
14.5	Investors Cap Growth	94	0	1
14.6	Investors Cap Growth	94	0	1
14.7	Investors Cap Growth	94	0	1
14.8	Investors Cap Growth	94	0	1
14.9	Investors Cap Growth	94	0	1
15.0	Investors Cap Growth	94	0	1
15.1	Investors Cap Growth	94	0	1
15.2	Investors Cap Growth	94	0	1
15.3	Investors Cap Growth	94	0	1
15.4	Investors Cap Growth	94	0	1
15.5	Investors Cap Growth	94	0	1
15.6	Investors Cap Growth	94	0	1
15.7	Investors Cap Growth	94	0	1
15.8	Investors Cap Growth	94	0	1
15.9	Investors Cap Growth	94	0	1
16.0	Investors Cap Growth	94	0	1
16.1	Investors Cap Growth	94	0	1
16.2	Investors Cap Growth	94	0	1
16.3	Investors Cap Growth	94	0	1
16.4	Investors Cap Growth	94	0	1
16.5	Investors Cap Growth	94	0	1
16.6	Investors Cap Growth	94	0	1
16.7	Investors Cap Growth	94	0	1
16.8	Investors Cap Growth	94	0	1
16.9	Investors Cap Growth	94	0	1
17.0	Investors Cap Growth	94	0	1
17.1	Investors Cap Growth	94	0	1
17.2	Investors Cap Growth	94	0	1
17.3	Investors Cap Growth	94	0	1
17.4	Investors Cap Growth	94	0	1
17.5	Investors Cap Growth	94	0	1
17.6	Investors Cap Growth	94	0	1
17.7	Investors Cap Growth	94	0	1
17.8	Investors Cap Growth	94	0	1
17.9	Investors Cap Growth	94	0	1
18.				

	Wal-Mart Stores Inc. WMT	111.4	+1
	Home Depot Inc. HD	101.4	+1
	Target Inc. TGT	71.1	+1
	Walmart Canada WMT	69.4	+1
	Costco Wholesale Corp. COST	68.2	+1
	Home Depot Canada HD	67.2	+1
	Walmart U.S. WMT	66.2	+1
	Walmart U.S. WMT	65.2	+1
	Walmart U.S. WMT	64.2	+1
	Walmart U.S. WMT	63.2	+1
	Walmart U.S. WMT	62.2	+1
	Walmart U.S. WMT	61.2	+1
	Walmart U.S. WMT	60.2	+1
	Walmart U.S. WMT	59.2	+1
	Walmart U.S. WMT	58.2	+1
	Walmart U.S. WMT	57.2	+1
	Walmart U.S. WMT	56.2	+1
	Walmart U.S. WMT	55.2	+1
	Walmart U.S. WMT	54.2	+1
	Walmart U.S. WMT	53.2	+1
	Walmart U.S. WMT	52.2	+1
	Walmart U.S. WMT	51.2	+1
	Walmart U.S. WMT	50.2	+1
	Walmart U.S. WMT	49.2	+1
	Walmart U.S. WMT	48.2	+1
	Walmart U.S. WMT	47.2	+1
	Walmart U.S. WMT	46.2	+1
	Walmart U.S. WMT	45.2	+1
	Walmart U.S. WMT	44.2	+1
	Walmart U.S. WMT	43.2	+1
	Walmart U.S. WMT	42.2	+1
	Walmart U.S. WMT	41.2	+1
	Walmart U.S. WMT	40.2	+1
	Walmart U.S. WMT	39.2	+1
	Walmart U.S. WMT	38.2	+1
	Walmart U.S. WMT	37.2	+1
	Walmart U.S. WMT	36.2	+1
	Walmart U.S. WMT	35.2	+1
	Walmart U.S. WMT	34.2	+1
	Walmart U.S. WMT	33.2	+1
	Walmart U.S. WMT	32.2	+1
	Walmart U.S. WMT	31.2	+1
	Walmart U.S. WMT	30.2	+1
	Walmart U.S. WMT	29.2	+1
	Walmart U.S. WMT	28.2	+1
	Walmart U.S. WMT	27.2	+1
	Walmart U.S. WMT	26.2	+1
	Walmart U.S. WMT	25.2	+1
	Walmart U.S. WMT	24.2	+1
	Walmart U.S. WMT	23.2	+1
	Walmart U.S. WMT	22.2	+1
	Walmart U.S. WMT	21.2	+1
	Walmart U.S. WMT	20.2	+1
	Walmart U.S. WMT	19.2	+1
	Walmart U.S. WMT	18.2	+1
	Walmart U.S. WMT	17.2	+1
	Walmart U.S. WMT	16.2	+1
	Walmart U.S. WMT	15.2	+1
	Walmart U.S. WMT	14.2	+1
	Walmart U.S. WMT	13.2	+1
	Walmart U.S. WMT	12.2	+1
	Walmart U.S. WMT	11.2	+1
	Walmart U.S. WMT	10.2	+1
	Walmart U.S. WMT	9.2	+1
	Walmart U.S. WMT	8.2	+1
	Walmart U.S. WMT	7.2	+1
	Walmart U.S. WMT	6.2	+1
	Walmart U.S. WMT	5.2	+1
	Walmart U.S. WMT	4.2	+1
	Walmart U.S. WMT	3.2	+1
	Walmart U.S. WMT	2.2	+1
	Walmart U.S. WMT	1.2	+1
	Walmart U.S. WMT	0.2	+1
	Walmart U.S. WMT	-0.2	+1
	Walmart U.S. WMT	-1.2	+1
	Walmart U.S. WMT	-2.2	+1
	Walmart U.S. WMT	-3.2	+1
	Walmart U.S. WMT	-4.2	+1
	Walmart U.S. WMT	-5.2	+1
	Walmart U.S. WMT	-6.2	+1
	Walmart U.S. WMT	-7.2	+1
	Walmart U.S. WMT	-8.2	+1
	Walmart U.S. WMT	-9.2	+1
	Walmart U.S. WMT	-10.2	+1
	Walmart U.S. WMT	-11.2	+1
	Walmart U.S. WMT	-12.2	+1
	Walmart U.S. WMT	-13.2	+1
	Walmart U.S. WMT	-14.2	+1
	Walmart U.S. WMT	-15.2	+1
	Walmart U.S. WMT	-16.2	+1
	Walmart U.S. WMT	-17.2	+1
	Walmart U.S. WMT	-18.2	+1
	Walmart U.S. WMT	-19.2	+1
	Walmart U.S. WMT	-20.2	+1
	Walmart U.S. WMT	-21.2	+1
	Walmart U.S. WMT	-22.2	+1
	Walmart U.S. WMT	-23.2	+1
	Walmart U.S. WMT	-24.2	+1
	Walmart U.S. WMT	-25.2	+1
	Walmart U.S. WMT	-26.2	+1
	Walmart U.S. WMT	-27.2	+1
	Walmart U.S. WMT	-28.2	+1
	Walmart U.S. WMT	-29.2	+1
	Walmart U.S. WMT	-30.2	+1
	Walmart U.S. WMT	-31.2	+1
	Walmart U.S. WMT	-32.2	+1
	Walmart U.S. WMT	-33.2	+1
	Walmart U.S. WMT	-34.2	+1
	Walmart U.S. WMT	-35.2	+1
	Walmart U.S. WMT	-36.2	+1
	Walmart U.S. WMT	-37.2	+1
	Walmart U.S. WMT	-38.2	+1
	Walmart U.S. WMT	-39.2	+1
	Walmart U.S. WMT	-40.2	+1
	Walmart U.S. WMT	-41.2	+1
	Walmart U.S. WMT	-42.2	+1
	Walmart U.S. WMT	-43.2	+1
	Walmart U.S. WMT	-44.2	+1
	Walmart U.S. WMT	-45.2	+1
	Walmart U.S. WMT	-46.2	+1
	Walmart U.S. WMT	-47.2	+1
	Walmart U.S. WMT	-48.2	+1
	Walmart U.S. WMT	-49.2	+1
	Walmart U.S. WMT	-50.2	+1
	Walmart U.S. WMT	-51.2	+1
	Walmart U.S. WMT	-52.2	+1
	Walmart U.S. WMT	-53.2	+1
	Walmart U.S. WMT	-54.2	+1
	Walmart U.S. WMT	-55.2	+1
	Walmart U.S. WMT	-56.2	+1
	Walmart U.S. WMT	-57.2	+1
	Walmart U.S. WMT	-58.2	+1
	Walmart U.S. WMT	-59.2	+1
	Walmart U.S. WMT	-60.2	+1
	Walmart U.S. WMT	-61.2	+1
	Walmart U.S. WMT	-62.2	+1
	Walmart U.S. WMT	-63.2	+1
	Walmart U.S. WMT	-64.2	+1
	Walmart U.S. WMT	-65.2	+1
	Walmart U.S. WMT	-66.2	+1
	Walmart U.S. WMT	-67.2	+1
	Walmart U.S. WMT	-68.2	+1
	Walmart U.S. WMT	-69.2	+1
	Walmart U.S. WMT	-70.2	+1
	Walmart U.S. WMT	-71.2	+1
	Walmart U.S. WMT	-72.2	+1
	Walmart U.S. WMT	-73.2	+1
	Walmart U.S. WMT	-74.2	+1
	Walmart U.S. WMT	-75.2	+1
	Walmart U.S. WMT	-76.2	+1
	Walmart U.S. WMT	-77.2	+1
	Walmart U.S. WMT	-78.2	+1
	Walmart U.S. WMT	-79.2	+1
	Walmart U.S. WMT	-80.2	+1
	Walmart U.S. WMT	-81.2	+1
	Walmart U.S. WMT	-82.2	+1
	Walmart U.S. WMT	-83.2	+1
	Walmart U.S. WMT	-84.2	+1
	Walmart U.S. WMT	-85.2	+1
	Walmart U.S. WMT	-86.2	+1
	Walmart U.S. WMT	-87.2	+1
	Walmart U.S. WMT	-88.2	+1
	Walmart U.S. WMT	-89.2	+1
	Walmart U.S. WMT	-90.2	+1
	Walmart U.S. WMT	-91.2	+1
	Walmart U.S. WMT	-92.2	+1
	Walmart U.S. WMT	-93.2	+1
	Walmart U.S. WMT	-94.2	+1
	Walmart U.S. WMT	-95.2	+1
	Walmart U.S. WMT	-96.2	+1
	Walmart U.S. WMT	-97.2	+1
	Walmart U.S. WMT	-98.2	+1
	Walmart U.S. WMT	-99.2	+1
	Walmart U.S. WMT	-100.2	+1
	Walmart U.S. WMT	-101.2	+1
	Walmart U.S. WMT	-102.2	+1
	Walmart U.S. WMT	-103.2	+1
	Walmart U.S. WMT	-104.2	+1
	Walmart U.S. WMT	-105.2	+1
	Walmart U.S. WMT	-106.2	+1
	Walmart U.S. WMT	-107.2	+1
	Walmart U.S. WMT	-108.2	+1
	Walmart U.S. WMT	-109.2	+1
	Walmart U.S. WMT	-110.2	+1
	Walmart U.S. WMT	-111.2	+1
	Walmart U.S. WMT	-112.2	+1
	Walmart U.S. WMT	-113.2	+1
	Walmart U.S. WMT	-114.2	+1
	Walmart U.S. WMT	-115.2	+1
	Walmart U.S. WMT	-116.2	+1
	Walmart U.S. WMT	-117.2	+1
	Walmart U.S. WMT	-118.2	+1
	Walmart U.S. WMT	-119.2	+1
	Walmart U.S. WMT	-120.2	+1
	Walmart U.S. WMT	-121.2	+1
	Walmart U.S. WMT	-122.2	+1
	Walmart U.S. WMT	-123.2	+1
	Walmart U.S. WMT	-124.2	+1
	Walmart U.S. WMT	-125.2	+1
	Walmart U.S. WMT	-126.2	+1
	Walmart U.S. WMT	-127.2	+1
	Walmart U.S. WMT	-128.2	+1
	Walmart U.S. WMT	-129.2	+1
	Walmart U.S. WMT	-130.2	+1
	Walmart U.S. WMT	-131.2	+1
	Walmart U.S. WMT	-132.2	+1
	Walmart U.S. WMT	-133.2	+1
	Walmart U.S. WMT	-134.2	+1
	Walmart U.S. WMT	-135.2	+1
	Walmart U.S. WMT	-136.2	+1
	Walmart U.S. WMT	-137.2	+1
	Walmart U.S. WMT	-138.2	+1
	Walmart U.S. WMT	-139.2	+1
	Walmart U.S. WMT	-140.2	+1
	Walmart U.S. WMT	-141.2	+1
	Walmart U.S. WMT	-142.2	+1
	Walmart U.S. WMT	-143.2	+1
	Walmart U.S. WMT	-144.2	+1
	Walmart U.S. WMT	-145.2	+1
	Walmart U.S. WMT	-146.2	+1
	Walmart U.S. WMT	-147.2	+1
	Walmart U.S. WMT	-148.2	+1
	Walmart U.S. WMT	-149.2	+1
	Walmart U.S. WMT	-150.2	+1
	Walmart U.S. WMT	-151.2	+1
	Walmart U.S. WMT	-152.2	+1
	Walmart U.S. WMT	-153.2	+1
	Walmart U.S. WMT	-154.2	+1
	Walmart U.S. WMT	-155.2	+1
	Walmart U.S. WMT	-156.2	+1
	Walmart U.S. WMT	-157.2	+1
	Walmart U.S. WMT	-158.2	+1
	Walmart U.S. WMT	-159.2	+1
	Walmart U.S. WMT	-160.2	+1
	Walmart U.S. WMT	-161.2	+1
	Walmart U.S. WMT	-162.2	+1
	Walmart U.S. WMT	-163.2	+1
	Walmart U.S. WMT	-164.2	+1
	Walmart U.S. WMT	-165.2	+1
	Walmart U.S. WMT	-166.2	+1
	Walmart U.S. WMT	-167.2	+1
	Walmart U.S. WMT	-168.2	+1
	Walmart U.S. WMT	-169.2	+1
	Walmart U.S. WMT	-170.2	+1
	Walmart U.S. WMT	-171.2	+1
	Walmart U.S. WMT	-172.2	+1
	Walmart U.S. WMT	-173.2	+1
	Walmart U.S. WMT	-174.2	+1
	Walmart U.S. WMT	-175.2	+1
	Walmart U.S. WMT	-176.2	+1
	Walmart U.S. WMT	-177.2	+1
	Walmart U.S. WMT	-178.2	+1
	Walmart U.S. WMT	-179.2	+1
	Walmart U.S. WMT	-180.2	+1
	Walmart U.S. WMT	-181.2	+1
	Walmart U.S. WMT	-182.2	+1
	Walmart U.S. WMT	-183.2	+1
	Walmart U.S. WMT	-184.2	+1
	Walmart U.S. WMT	-185.2	+1
	Walmart U.S. WMT	-186.2	+1
	Walmart U.S. WMT	-187.2	+1
	Walmart U.S. WMT	-188.2	+1
	Walmart U.S. WMT	-189.2	+1
	Walmart U.S. WMT	-190.2	+1
	Walmart U.S. WMT	-191.2	+1
	Walmart U.S. WMT	-192.2	+1
	Walmart U.S. WMT	-193.2	+1
	Walmart U.S. WMT	-194.2	+1
	Walmart U.S. WMT	-195.2	+1
	Walmart U.S. WMT	-196.2	+1
	Walmart U.S. WMT	-197.2	+1
	Walmart U.S. WMT	-198.2	+1
	Walmart U.S. WMT	-199.2	+1
	Walmart U.S. WMT	-200.2	+1
	Walmart U.S. WMT	-201.2	+1
	Walmart U.S. WMT	-202.2	+1
	Walmart U.S. WMT	-203.2	+1
	Walmart U.S. WMT	-204.2	+1
	Walmart U.S. WMT	-205.2	+1
	Walmart U.S. WMT	-206.2	+1
	Walmart U.S. WMT	-207.2	+1
	Walmart U.S. WMT	-208.2	+1
	Walmart U.S. WMT	-209.2	+1
	Walmart U.S. WMT	-210.2	+1
	Walmart U.S. WMT	-211.2	+1
	Walmart U.S. WMT	-212.2	+1
	Walmart U.S. WMT	-213.2	+1
	Walmart U.S. WMT	-214.2	+1
	Walmart U.S. WMT	-215.2	+1
	Walmart U.S. WMT	-216.2	+1
	Walmart U.S. WMT	-217.2	+1
	Walmart U.S. WMT	-218.2	+1
	Walmart U.S. WMT	-219.2	+1
	Walmart U.S. WMT	-220.2	+1
	Walmart U.S. WMT	-221.2	+1
	Walmart U.S. WMT	-222.2	+1
	Walmart U.S. WMT	-223.2	+1
	Walmart U.S. WMT	-224.2	+1
	Walmart U.S. WMT	-225.2	+1
	Walmart U.S. WMT	-226.2	+1
	Walmart U.S. WMT	-227.2	+1
	Walmart U.S. WMT	-228.2	+1
	Walmart U.S. WMT	-229.2	+1
	Walmart U.S. WMT	-230.2	+1
	Walmart U.S. WMT	-231.2	+1
	Walmart U.S. WMT	-232.2	+1
	Walmart U.S. WMT	-233.2	+1

19.2	Piper Aircraft Corp.				
19.3	Pittman Corp.				
19.4	Plastics Inc.			231.4	
19.5	Plumtree Inc.			17	
19.6	Public Service			260	
19.7	Public Service			260	
19.8	Public Service			260	
19.9	Public Service			260	
20.0	Public Service			260	
20.1	Public Service			260	
20.2	Public Service			260	
20.3	Public Service			260	
20.4	Public Service			260	
20.5	Public Service			260	
20.6	Public Service			260	
20.7	Public Service			260	
20.8	Public Service			260	
20.9	Public Service			260	
21.0	Public Service			260	
21.1	Public Service			260	
21.2	Public Service			260	
21.3	Public Service			260	
21.4	Public Service			260	
21.5	Public Service			260	
21.6	Public Service			260	
21.7	Public Service			260	
21.8	Public Service			260	
21.9	Public Service			260	
22.0	Public Service			260	
22.1	Public Service			260	
22.2	Public Service			260	
22.3	Public Service			260	
22.4	Public Service			260	
22.5	Public Service			260	
22.6	Public Service			260	
22.7	Public Service			260	
22.8	Public Service			260	
22.9	Public Service			260	
23.0	Public Service			260	
23.1	Public Service			260	
23.2	Public Service			260	
23.3	Public Service			260	
23.4	Public Service			260	
23.5	Public Service			260	
23.6	Public Service			260	
23.7	Public Service			260	
23.8	Public Service			260	
23.9	Public Service			260	
24.0	Public Service			260	
24.1	Public Service			260	
24.2	Public Service			260	
24.3	Public Service			260	
24.4	Public Service			260	
24.5	Public Service			260	
24.6	Public Service			260	
24.7	Public Service			260	
24.8	Public Service			260	
24.9	Public Service			260	
25.0	Public Service			260	
25.1	Public Service			260	
25.2	Public Service			260	
25.3	Public Service			260	
25.4	Public Service			260	
25.5	Public Service			260	
25.6	Public Service			260	
25.7	Public Service			260	
25.8	Public Service			260	
25.9	Public Service			260	
26.0	Public Service			260	
26.1	Public Service			260	
26.2	Public Service			260	
26.3	Public Service			260	
26.4	Public Service			260	
26.5	Public Service			260	
26.6	Public Service			260	
26.7	Public Service			260	
26.8	Public Service			260	
26.9	Public Service			260	
27.0	Public Service			260	
27.1	Public Service			260	
27.2	Public Service			260	
27.3	Public Service			260	
27.4	Public Service			260	
27.5	Public Service			260	
27.6	Public Service			260	
27.7	Public Service			260	
27.8	Public Service			260	
27.9	Public Service			260	
28.0	Public Service			260	
28.1	Public Service			260	
28.2	Public Service			260	
28.3	Public Service			260	
28.4	Public Service			260	
28.5	Public Service			260	
28.6	Public Service			260	
28.7	Public Service			260	
28.8	Public Service			260	
28.9	Public Service			260	
29.0	Public Service			260	
29.1	Public Service			260	

The report includes companies by William D. Cragg, a public editor. See guide to London City

7

155

INVESTMENT COMPANIES - Cont.**OIL EXPLORATION & PRODUCTION - Cont****PROPERTY****RETAILERS, GENERAL - Cont.****TRANSPORT - Cont.**

8	Goods Current	4.1%	213
9	Iron Ore	4.0%	180
10	Iron Concentrate	4.0%	41,265
11	Lead Sulfate	4.0%	54
12	Aluminum	4.0%	718
13	Low Cost Milk	4.0%	2821
14	Low Cost Fats	4.0%	371
15	Machinery Tools	4.0%	10868
16	Food Veg. Use	4.0%	3776
17	Manufact. Exports	4.0%	72
18	Merch. Inv.	4.0%	281
19	Domest. Prod.	4.0%	502
20	Foreign Imports	4.0%	703
21	P & O Net	4.0%	173
22	Govt Op. Inv.	4.0%	108
23	Season	3.9%	2868
24	Sea Containers	3.9%	53.1
25	Shanghai R.	3.9%	217
26	Shanghai S.	3.9%	86
27	Textiles	3.9%	285
28	Roberts & Brainer	3.9%	583
29	Tragicomcast	3.9%	100
30	Transport Dev.	3.9%	282
31	Unpaid Debt	3.9%	101
32	Upgraded Debt	3.9%	87

United Nations		84-4
Vand. Univ.		188-4
Wash. Kean HHS.		188-4
WATER		
	Notes	
Anglian		456
Chesham Water	1M	114
Colson A	1M	346
Deben A	1M	630
Cheslet	1M	190
Dev Valley	1M	385
East Surrey	1M	424
Hertford	1M	235
Mid Kent	1M	225
Norfolk Water	1M	813
North Devon	1M	411
South Truro	1M	2655
South West	1M	467-8
South	1M	527
Taunton	1M	678
Wash.	1M	263-8

Work Weeks		1974	1975
18.1	York	7.1	4.7
9.6			
9.7			
11.0			
AMERICANS			
51.5			
4	AT & T		Notes
21.9	Albany Labs		
14.1	Amuland		
17.8	Amuland		
12.5	Anderson-Busch		
13.8	BankAmerica		
5.5	Bankers NY		
13.5	Bell Atlantic		
10.5	BelSouth		
18.5	Boeing Stead		
16.7	CP		
8.6	California Engr		
1.6	Chase Manhattan		
5.3	Crysler		
5.7	Citibank		
10.5	Citigroup-Pratt		
10.5	Dats General		
10.1	Decora Inds		
10.3	Dea & Brad		

14.1	Edison	
14.1	Gen Electric	
14.1	Gen Motors	
14.1	Gen Electric	
17.2	General Host	▼
9.4	Gillette	
14.7	Habstro	
13.4	Hampshire	
13.4	Ingalls-Rand	
11.3	Lockwood	
11.3	Lowe's	
9.8	Martin Lynch	
9.8	Morgan (PI)	
10.4	Morris (PI)	
10.4	Orchard	
20.8	Pail	
18.4	Pennco	
3.4	Quaker Oats	h
9.8	Rep Air	
9.8	Rockwell	
20.8	Sears Roebuck	
9.8	Stromberg Bell	
9.8	Sun Co	
9.8	Tenneco	
9.8	Transo	
11.1	Time Warner	
52.7	US West	

12.4	Verity	
12.5	WGL Technologies	
12.7	Waterpork	
12.0	Woodward	▼
CANADIANS		
2.4		
22.2		
19.8		
18.8		
27.1	BC Montreal	Notes
16.4	BC Nova Scotia	
12.9	BC Gas	
12.6		
0	Barrick Gold	
0	Bracon	▼
0	Can Imp Bk	
28.1	Can Pacific	
0	4pc Dash	
14.4	Dorco	▼
0	Ecobay	▼
0	Gulf Can	▼
0	Heauser Ltd	▼
0	Hudson's Bay	▼
21.9	Imperial Oil	
0	Inco	
	(Price Alerts)	

26.2	—	North Corp.	Notes	
15.7	—	—	—	
8.6	—	Royal Can Pipe	—	
11.8	—	TVK Gold	—	
—	—	Toronto-Dom	—	
—	—	Trans Can Pipe	—	

SOUTH AFRICA

	P/E		Notes	
13.1	—	Anglo Am Ind.	—	
15.7	—	Barlows	—	
15.7	—	Gold Fields Prop R.	—	
—	—	NK Propri.	—	
34.1	—	SASOL	—	
20.8	—	SA Brews	—	
20.8	—	Tiger Oils	—	
24.7	—	Tongaat-Hoeds	—	

GUIDE TO LONDON

Prices for the London Stock Exchange are given in the member of the Financial Times.

Company classification

12.9	Shoe indices.
12.7	Closing mid-prices are as
12.6	low as based on intra-
13.9	day price movements.
23.2	Where stocks are denoted
17.5	indicated after the asterisk.
14.4	Symbols referring to over-
15.2	due to yields and P/E
18.8	on Monday.
1.3	Market capitalization sh-
0.5	quoted.
22.7	Estimated price/earnings
15.7	accounts and, where ap-
1.1	calculated on "net" data
14.8	and, where applicable, on
28.6	ACT where applicable.
12.7	For a dividend tax credit
19.3	distribution and splits.
10.0	Estimated Net Asset Val-
13.5	ues per share, after in-
10.4	flation.
25.4	Pm % to the current de-
12.8	charges at par value, or
	occurrence.

[illegible]

5.8	0	percentage of other countries' estimates.
5.0	10.9	1 Fast yield.
4.9	8.1	2 Assumed dividend yield after rights issues.
3.4	7.8	3 Assumed dividend yield after scrip issues.
3.1	12.0	4 Earnings based on preliminary figures.
7.8	0	5 Dividend yield exclusive in special payments.
1.2	44.8	6 Indicated dividend yield, plus ratio based upon annual earnings at 1980-81, or indicated annual dividend yield, plus based on previous year's earnings.
Yld		
8.6	17.1	This service is available in the United Kingdom only.
10.8		
5.5	22.1	

Yd		
6.8	12.2	
6.3	φ	
2.6	18.8	
2.6	18.8	
2.6	18.8	
3.8	φ	
0.8	φ	
5.7	9.5	
3.4	15.8	
2.2	25.4	
2.8	—	
3.3	14.1	
2.1	15.5	
5.5	18.1	
—	—	
—	—	
—	—	

21 21.3 Cell 0171-8
1.9 18.7 International
2.8 18.2

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group

Closing mid-prices are shown in pence unless otherwise stated. High
low are based on intra-day mid-prices.

Symbols referring to dividend status appear in the notes column cell
outside to stocks and P/E ratios. Dividends and Dividend covers are pul

Estimated price/earnings ratios are based on latest annual reports and

on price level basis, including applicable provisions of the ACT where applicable. Yields are based on mid-prices, are gross, and for a dividend tax credit of 20 per cent and allow for value of dealer

price per share, along with the percentage discount (or premium) to the current closing share price. The NAV basis assumes no change of net value, converting converted and warrants exercised

□ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-

† Interim since increased or resumed
‡ Interim since reduced, ceased or deferred

* Free annual/interim report available, see details below.
* USMC; not listed on Stock Exchange and company not subject to exchange.

indicated dividend yield after pending scrip and/or rights issue
 Merger bid or reorganization in progress

a Yield based on — 1985-86 — 1985-86	v Not subject to ACT. — 1985-86 — 1985-86	1985-86. M. Elmore based
--	---	-----------------------------

[illegible]

is Assumed dividend
yield after scrip issue.
H Yield based on
prospectus or other
figures available.

1.8 Dividend yield
2.0 excludes a special
2.2 dividend.

Yield, pro based on latest annual earnings.
 1A Yield based on latest annual earnings.
 1B Yield based on latest annual earnings.

This service is available to companies whose shares are registered in the United Kingdom for a fee of £1275 a year for each

FT Free Annual Reports Service
 You can obtain the current annual/in-

Please quote the code FT7738. Ring U18
0770 (open 24 hours including weekends)

3822. Reports will be sent the next week.

FT Cityline Up-to-the-second share prices are available

Monday's share price pages for details.
An international service is available for

Call 0171-873 4378 (+44 171 873
International) for more information on FT City

1

[illegible]

● FT Cityline Unit Truez Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 71) 873 4978 for more details.

[illegible]

LONDON STOCK EXCHANGE

MARKET REPORT

Currency worries return to upset share prices

By Terry Byland,
UK Stock Market Editor

Currency factors unsettled UK stocks again yesterday and shares closed lower as the Dow Jones Industrial Average failed to follow through after its record close on Friday. Trading volume was very low, however, and the FT-SE 100 Share Index remained comfortably above the 3,000 mark.

At first, the London equity market brushed off weakness in sterling and in government bonds, edging higher in early trading. Sentiment was helped by official prices data for February, indicating a level of factory prices pressure acceptable

to securities markets.

Currency uncertainty, together with lack of buying support for share prices, were the market down towards the close, however, and despite a late rally in the dollar, the equity market ended near the day's low.

At the final reading, the FT-SE 100 Share Index stood at 3,011.8, a net loss on the day of 9.3 points. At the low of the session, the Footsie touched 3,008. London was subdued at the close by a fall of more than 12 points on the Dow Average in early trading in the new session in New York.

The FT-SE Mid 250 Index, down 4.8 at 3,315.6, reflected a lack of

interest in second line stocks which generally followed the trend of the blue chips.

Although this week will bring a further round of important trading statements from British companies which are expected to boost confidence, yesterday's list brought little excitement.

The takeover front was also quiet, as investors pondered the situation among the regional electricity companies following Northern Electricity's refusal to countenance the new - and reduced - offer from Trafalgar House.

Trading volume, as measured through the Seag electronic network, fell by nearly 30 per cent to

470.2m shares, dealing a further blow to market confidence.

City comment suggests that a further round of workforce cutbacks among London-based securities firms cannot be long postponed. Non-Footsie business made up around 63 per cent of yesterday's total business.

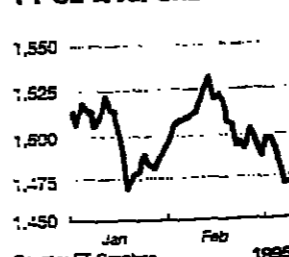
Retail, or customer-originated, business was worth £1.56bn in Friday's trading session, a fair average for recent sessions. While the retail total used to be up seen as a rule-of-thumb measure of overall market profitability, it is now regarded as less reliable, because profitable business in equities is being channelled more narrowly towards a

handful of large market firms. Strategists were disappointed that the problems of the US dollar market have re-emerged to unsettle stock markets.

In London, a favourable differential between UK and New York market indices, together with a strong flow of dividend and profits news from leading British companies, has appeared to lay the foundation for a recovery in share prices.

However, sterling continues to suffer on the cross flow of weakness in the US currency and this has revived fears that further increases in domestic base rates may be closer at hand than the stock market would like.

FT-SE All-Share Index



Source: FT Graphs

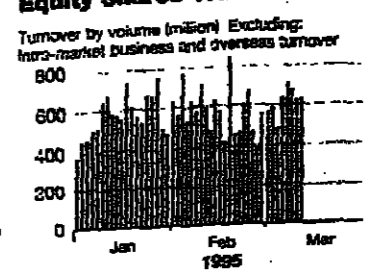
Indices and ratios

FT-SE 100	3011.8	-9.3
FT-SE Mid 250	3315.6	-4.8
FT-SE-A 350	1497.6	-4.1
FT-SE-A All-Share	1480.65	-3.71
FT-SE-A All-Share yield	4.28	(4.28)

Best performing sectors

1 Other Financial	+0.4
2 Pharmaceuticals	+0.3
3 Banks, Merchant	+0.3
4 Investment Trusts	+0.2
5 Tobacco	+0.1

Equity Shares Traded



Turnover by volume (million) Excluding: Inter-market business and overseas turnover

FT Ordinary Index 2307.4 -4.5
FT-SE Non Fine p/e 16.52 (16.53)
FT-SE 100 p/e Mar 30.08 -18.0
10 yr Gilt yield 8.75 (8.73)
Long gilts/yield ratio: 2.08 (2.07)

Worst performing sectors

1 Household Goods	-1.7
2 Chemicals	-1.6
3 Water	-1.5
4 Extractive Inds	-1.0
5 Oil Exploration & Prod.	-0.8

Northern decision setback

Northern Electricity was the heaviest loser among the market's top 350 stocks, the shares plummeting 70, or 8.7 per cent to 789p, as the market caught up with news that the board had rejected the new, and lower, bid of 90p cash a share from Trafalgar House.

The biggest shareholder in Costain is Robert Fleming, with 92.3m shares, or 17.8 per cent of the issued capital.

All the Recs fell sharply last week after the electricity industry regulator said he was seeking a further investigation into electricity pricing in the light of Northern Electricity's defence, which included 50p worth of payouts to shareholders. Trafalgar House shares eased to 57p.

Costain seller

A seller of a near 5 per cent stake in Costain, the construction to mining group, emerged yesterday, leaving the stock by far the most heavily traded in the market.

The shares, in several blocks totalling 35m, or just over 5 per cent of the company's issued capital, were sold into the market at 10p and subsequently placed at 10.5p. At the close turnover in Costain had risen to 60m, the highest on record. Costain shares have seen

sawed this year, climbing to 24p towards the end of January, as rumours of imminent bid moves were confirmed by the company. Bovis, building division of P & O, was said to have been the likeliest buyer.

The market quickly picked up the hint that the takeover talks had run into trouble and the shares began to slip away, dropping over 30 per cent last week ahead of news that no bid was likely. Yesterday the shares fell to 10p, before closing a net halfpenny lower at 11p.

The biggest shareholder in Costain is Robert Fleming, with 92.3m shares, or 17.8 per cent of the issued capital.

Rand views

Analysts came to no very hard and fast conclusion about the demise of the South African financial rand. Nomura Securities thought there could be a modest one-off devaluation of assets for companies like Lonrho and Wessels both of which have extensive fixed plant assets in South Africa.

The house also expected the currency move to accelerate the plans of Dieter Bock, chief executive of Lonrho, for enhancing shareholder value. It saw the odds shortening on a partial flotation of Lonrho's platinum interests. Lonrho shares retreated 1.5 to 139p.

The failure of Trafalgar House's lower bid for Northern, plus renewed worries about Offer's move to re-examine electricity pricing, caused ripples of unease across the rest of the Recs sector, where Manweb, 645p, lost 10 and South Wales 13 to 660p. There was seen support for

Southern Electricity, however, with some specialists taking the view that Trafalgar may shift its sights to another target. Southern shares jumped 8 to 618p and were closely followed by Midlands Electricity which moved up 6 to 627p.

The heaviest trade in the utilities areas was in PowerGen partly-paid stock which hardened a fraction to 186p on 5.2m traded. The "old" shares were a shade off at 466p on 3.7m. National Power partly-paid eased 1.5 to 172p and the "old" 3.5 to 433p.

Renewed hints that the banking, securities and financial services sectors are bracing themselves for a big round of rationalisation, probably involving a number of bids and mergers, triggered another bout of speculation.

The latest story was that Hambro was looking to buy Standard Chartered Securities

from Standard Chartered, the UK bank.

Dealers said Standard Chartered shares were sharply better - at 7 higher at 277p they were the top performer in the FT-SE 100 list - as the market after last week's exceptionally good preliminary figures which included a 33 per cent increase in the dividend total. Hambro shares edged up 2 to 201p.

Shares in household products group Bechtel & Co. fell 13 to 61p after NatWest Securities urged investors to reduce holdings in the stock.

In a note ahead of Thursday's full year figures, analysts at NatWest said: "We expect over the second half, there will have been little change in the tough market conditions experienced over the first half of 1994." They expect normalised profits of £265m, at the bottom of the market range of £265m to £275m.

Chemicals group ICI fell 25 to 618p, on unconfirmed talk that US broker Smith Barney had sharply downgraded profit expectations. Glaxo continued to bask in the glow of its recent success in the bid for rival Wellcome. The shares jumped 12.5 to 889p, as dealers suggested healthy buying in New York late on Friday of the company's American Depository Receipts (ADRs) had encouraged buying in London yesterday. Volume stood at 3.5m at the close. Medeva were wanted ahead of today's figures. The shares gained 4 to 181p. Dealers were encouraged by figures from Scotia Holdings which revealed reduced losses. The shares advanced 17 to 350p.

In food manufacturing stocks, United Biscuits, which reports full year figures on Thursday, fell 12 to 342p, with Smith New Court said to have advised investors to sell the shares. The range of forecasts is £155m to £165m, after a £21m restructuring charge.

In stores, Lloyds Chemist hardened 5 to 219p, as analysts came to the view that that provisions for the reorganisation of the group's drugs store division would be lower than feared.

Boots was one of the day's best performing stocks as the market focused on a recent note from UBS. In a detailed review of cash flow in consumer stocks, Boots was highlighted as the best stock in cash flow terms within the stores sector. The shares closed 6 better at 491p.

Loss-making magazine publisher Harrington Kilbrieth tumbled 10 to 25p, following allegations in a Sunday newspaper. The group plans to issue a writ against the paper.

A management reshuffle at Smiths Industries left the shares 4 higher at 443p, in nominal turnover. Alan Thomson, formerly with the Rugby cement group, is taking over

from the outgoing Chris Taylor as finance director. Rugby shed a penny to 107p.

Sheila, which has a 40 per cent North American sales ratio, added 2 to 525p as a four-day US road show opened. Submarine maker VSEL closed 11 higher at 1516p, having been 15 up at one stage.

Leading bus group Stagecoach recovered 2 to 21p as a number of directors took advantage of recent monopolies-inspired weakness in the shares to top up their holdings. Eurotunnel lost ground as last week's departure of the group commercial director combined with extensive weekend delays on the shuttle service to knock sentiment. The shares shed 3 to 289p.

In food manufacturing stocks, United Biscuits, which reports full year figures on Thursday, fell 12 to 342p, with Smith New Court said to have advised investors to sell the shares. The range of forecasts is £155m to £165m, after a £21m restructuring charge.

In stores, Lloyds Chemist hardened 5 to 219p, as analysts came to the view that that provisions for the reorganisation of the group's drugs store division would be lower than feared.

Boots was one of the day's best performing stocks as the market focused on a recent note from UBS. In a detailed review of cash flow in consumer stocks, Boots was highlighted as the best stock in cash flow terms within the stores sector. The shares closed 6 better at 491p.

Loss-making magazine publisher Harrington Kilbrieth tumbled 10 to 25p, following allegations in a Sunday newspaper. The group plans to issue a writ against the paper.

A management reshuffle at Smiths Industries left the shares 4 higher at 443p, in nominal turnover. Alan Thomson, formerly with the Rugby cement group, is taking over

FUTURES AND OPTIONS

FT-SE 100 INDEX FUTURES (LFFE) £25 per full index point (APR)

	Open	Sett	Change	High	Low	Est. vol	Open int.
Mar	3026.0	3008.0	-18.0	3042.0	3003.0	14622	27481
Jun	3031.0	3013.0	-18.0	3047.0	3008.0	9486	28756
Sep	3032.0	3014.0	-18.0	3052.0	3010.0	100	790

FT-SE MID 250 INDEX FUTURES (LFFE) £10 per full index point

	Open	Sett	Change	High	Low	Est. vol	Open int.
Mar	3315.0	3315.0	-10.0	3315.0	3315.0	145	2599
Jun	3340.0	3340.0	-6.0	3340.0	3340.0	145	1811

FT-SE 100 INDEX OPTION (LFFE) (£301) £10 per full index point

	Open	Sett	Change	High	Low	Est. vol	Open int.
Mar	181	111	0	181	111	0	0
Jun	181	111	0	181	111	0	0
Sep	181	111	0	181	111	0	0
Dec	181	111	0	181	111	0	0

FT-SE 100 INDEX OPTION (LFFE) (£301) £10 per full index point

	Open	Sett	Change	High	Low	Est. vol	Open int.
Mar	181	111	0	181	111	0	0
Jun	181	111	0	181	111	0	0
Sep	181	111	0	181	111	0	0
Dec	181	111	0	181	111	0	0

FT-SE 100 INDEX OPTION (LFFE) (£301) £10 per full index point

	Open	Sett	Change	High	Low	Est. vol	Open int.
Mar	181	111	0	181	111	0	0
Jun	181	111	0	181	111	0	0
Sep	181	111	0	181	111	0	0
Dec	181	111	0	181	111	0	0

FT-SE 100 INDEX OPTION (LFFE) (£301) £10 per full index point

	Open	Sett	Change	High	Low	Est. vol	Open int.
Mar	181	111	0	181	111	0	0
Jun	181	111	0	181	111	0	0
Sep	181	111	0	181	111	0	0
Dec	181	111	0	181	111	0	0

FT-SE 100 INDEX OPTION (LFFE) (£301) £10 per full index point

	Open	Sett	Change	High	Low	Est. vol	Open int.
Mar	181	111	0	181	111	0	0
Jun	181	111	0	181	111	0	0
Sep	181	111	0	181	111	0	0
Dec	181	111	0	181	111	0	0

FT-SE 100 INDEX OPTION (LFFE) (£301) £10 per full index point

	Open	Sett	Change	High	Low	Est. vol	Open int.
Mar	181	111	0	181	111	0	0
Jun	181	111	0	181	111	0	0
Sep	181	111	0	181	111	0	0
Dec	181	111	0	181	111	0	0

FT-SE 100 INDEX OPTION (LFFE) (£301) £10 per full index point

	Open	Sett	Change	High	Low	Est. vol	Open int.
Mar	181	111	0	181	111	0	0
Jun	181	111	0	181	111	0	0
Sep	181	111	0	181	111	0	0
Dec	181	111	0	181	111	0	0

FT-SE 100 INDEX OPTION (LFFE) (£301) £10 per full index point

	Open	Sett	Change	High	Low	Est. vol	Open int.
Mar	181	111	0	181	111	0	0
Jun	181	111	0	181	111	0	0
Sep	181	111	0	181	111	0	0
Dec	181	111	0	181	111	0	0

FT-SE 100 INDEX OPTION (LFFE) (£301) £10 per full index point

	Open	Sett	Change	High	Low	Est. vol	Open int.
Mar	181	111	0	181	111	0	0
Jun	181	111	0	181	111	0	0
Sep	181	111	0	181	111	0	0
Dec	181	111	0	181	111	0	0

FT-SE 100 INDEX OPTION (LFFE) (£301) £10 per full index point

	Open	Sett	Change	High	Low	Est. vol	Open int.
Mar	181	111	0	181	111	0	0
Jun	181	111	0	181	111	0	0
Sep	181	111	0	181	111	0	0
Dec	181	111	0	181	111	0	0

FT-SE 100 INDEX OPTION (LFFE) (£301) £10 per full index point

	Open	Sett	Change	High	Low	Est. vol	Open int.
Mar	181	111	0	181	111	0	0
Jun	181	111	0	181	111	0	0
Sep	181	111	0	181	111	0	0
Dec	181	111	0	181	111	0	0

FT-SE 100 INDEX OPTION (LFFE) (£301) £10 per full index point

	Open	Sett	Change	High	Low	Est. vol	Open int.
Mar	181	111	0	181	111	0	0
Jun	181	111	0	181	111	0	0
Sep	181	111	0	181	111	0	0
Dec	181	111	0	181	111	0	0

FT-SE 100 INDEX OPTION (LFFE) (£301) £10 per full index point

	Open	Sett	Change	High	Low	Est. vol	Open int.
Mar	181	111	0	181	111	0	0
Jun	181	111	0	181	111	0	0
Sep	181	111	0	181	111	0	0
Dec	181	111	0	181	111	0	0

FT-SE 100 INDEX OPTION (LFFE) (£301) £10 per full index point

	Open	Sett	Change	High	Low	Est. vol	Open int.
Mar	181	111	0	181	111	0	0
Jun	181	111	0	181	111	0	0
Sep	181	111	0	181	111	0	0
Dec	181	111	0	181	111	0	0

FT-SE 100 INDEX OPTION (LFFE) (£301) £10 per full index point

4.80	3.17	42.50	5.64	1041.20
3.45	7.15	16.34	0.17	1059.33
4.87	7.56	17.17	1.88	805.02
4.39	6.84	17.70	25.08	1001.89

To subscribe to the FT call Europe: + 49 69 156 850
Pacific: + 81 3 3295 17 11 USA/Canada: + 1 212 752 4500

N TOKYO - MOST ACTIVE STOCKS Monday, March 18, 1996							
	Stocks Traded	Closing Price	Change on day		Stocks Traded	Closing Price	Change on day
Tobu Railway	7,116	586	+10	Nissan F&M Ins	4,711	680	+10
Suntory	6,831	727	-3	JGC Corp	4,311	1500	-24
Sunimoto Const.	7,401	552	-3	Nip Steel	4,211	354	-4
Toyo Ink Mfg Co	5,031	584	-3	Mitsubishi HY	4,111	598	-1
Tochiba	4,811	940	-10	Kandenko	3,111	1680	-20

Have you

NYSE COMPOSITE PRICES

[illegible]**NASDAQ NATIONAL MARKET**[illegible]

AMEX COMPOSITE PRICES

Stock	Div.	P/E	100s	High	Low	Close	Chng.	Stock	Div.	P/E	100s	High	Low	Close	Chng.	Stock	Div.	P/E	100s	High	Low	Close	Chng.
Am. Sugar	63	53	19	162	162	162	+	CrngTech	41	287	5	49	1	+	+	Handl							
Am. Tech	5	16	16	16	16	16	+	CrngTech	5	536	2	16	1	+	+	Handl	0.32	15	2917	31	16	+	+
Am. Tech	5	16	16	16	16	16	+	CrngTech	5	536	2	16	1	+	+	Handl	0.32	15	2917	31	16	+	+
Am. Tech	5	16	16	16	16	16	+	CrngTech	5	536	2	16	1	+	+	Handl	0.32	15	2917	31	16	+	+
Am. Tech	5	16	16	16	16	16	+	CrngTech	5	536	2	16	1	+	+	Handl	0.32	15	2917	31	16	+	+
Am. Tech	5	16	16	16	16	16	+	CrngTech	5	536	2	16	1	+	+	Handl	0.32	15	2917	31	16	+	+
Am. Tech	5	16	16	16	16	16	+	CrngTech	5	536	2	16	1	+	+	Handl	0.32	15	2917	31	16	+	+
Am. Tech	5	16	16	16	16	16	+	CrngTech	5	536	2	16	1	+	+	Handl	0.32	15	2917	31	16	+	+
Am. Tech	5	16	16	16	16	16	+	CrngTech	5	536	2	16	1	+	+	Handl	0.32	15	2917	31	16	+	+
Am. Tech	5	16	16	16	16	16	+	CrngTech	5	536	2	16	1	+	+	Handl	0.32	15	2917	31	16	+	+
Am. Tech	5	16	16	16	16	16	+	CrngTech	5	536	2	16	1	+	+	Handl	0.32	15	2917	31	16	+	+
Am. Tech	5	16	16	16	16	16	+	CrngTech	5	536	2	16	1	+	+	Handl	0.32	15	2917	31	16	+	+
Am. Tech	5	16	16	16	16	16	+	CrngTech	5	536	2	16	1	+	+	Handl	0.32	15	2917	31	16	+	+
Am. Tech	5	16	16	16	16	16	+	CrngTech	5	536	2	16	1	+	+	Handl	0.32	15	2917	31	16	+	+
Am. Tech	5	16	16	16	16	16	+	CrngTech	5	536	2	16	1	+	+	Handl	0.32	15	2917	31	16	+	+
Am. Tech	5	16	16	16	16	16	+	CrngTech	5	536	2	16	1	+	+	Handl	0.32	15	2917	31	16	+	+
Am. Tech	5	16	16	16	16	16	+	CrngTech	5	536	2	16	1	+	+	Handl	0.32	15	2917	31	16	+	+
Am. Tech	5	16	16	16	16	16	+	CrngTech	5	536	2	16	1	+	+	Handl	0.32	15	2917	31	16	+	+
Am. Tech	5	16	16	16	16	16	+	CrngTech	5	536	2	16	1	+	+	Handl	0.32	15	2917	31	16	+	+
Am. Tech	5	16	16	16	16	16	+	CrngTech	5	536	2	16	1	+	+	Handl	0.32	15	2917	31	16	+	+
Am. Tech	5	16	16	16	16	16	+	CrngTech	5	536	2	16	1	+	+	Handl	0.32	15	2917	31	16	+	+
Am. Tech	5	16	16	16	16	16	+	CrngTech	5	536	2	16	1	+	+	Handl	0.32	15	2917	31	16	+	+
Am. Tech	5	16	16	16	16	16	+	CrngTech	5	536	2	16	1	+	+	Handl	0.32	15	2917	31	16	+	+
Am. Tech	5	16	16	16	16	16	+	CrngTech	5	536	2	16	1	+	+	Handl	0.32	15	2917	31	16	+	+
Am. Tech	5	16	16	16	16	16	+	CrngTech	5	536	2	16	1	+	+	Handl	0.32	15	2917	31	16	+	+
Am. Tech	5	16	16	16	16	16	+	CrngTech	5	536	2	16	1	+	+	Handl	0.32	15	2917	31	16	+	+
Am. Tech	5	16	16	16	16	16	+	CrngTech	5	536	2	16	1	+	+	Handl	0.32	15	2917	31	16	+	+
Am. Tech	5	16	16	16	16	16	+	CrngTech	5	536	2	16	1	+	+	Handl	0.32	15	2917	31	16	+	+
Am. Tech	5	16	16	16	16	16	+	CrngTech	5	536	2	16	1	+	+	Handl	0.32	15	2917	31	16	+	+
Am. Tech	5	16	16	16	16	16	+	CrngTech	5	536	2	16	1	+	+	Handl	0.32	15	2917	31	16	+	+
Am. Tech	5	16	16	16	16	16	+	CrngTech	5	536	2	16	1	+	+	Handl	0.32	15	2917	31	16	+	+
Am. Tech	5	16	16	16	16	16	+	CrngTech	5	536	2	16	1	+	+	Handl	0.32	15	2917	31	16	+	+
Am. Tech	5	16	16	16	16	16	+	CrngTech	5	536	2	16	1	+	+	Handl	0.32	15	2917	31	16	+	+
Am. Tech	5	16	16	16	16	16	+	CrngTech	5	536	2	16	1	+	+	Handl	0.32	15	2917	31	16	+	+
Am. Tech	5	16	16	16	16	16	+	CrngTech	5	536	2	16	1	+	+	Handl	0.32	15	2917	31	16	+	+
Am. Tech	5	16	16	16	16	16	+	CrngTech	5	536	2	16	1	+	+	Handl	0.32	15	2917	31	16	+	+
Am. Tech	5	16	16	16	16	16	+	CrngTech	5	536	2	16	1	+	+	Handl	0.32	15	2917	31	16	+	+
Am. Tech	5	16	16	16	16	16	+	CrngTech	5	536	2	16	1	+	+	Handl	0.32	15	2917	31	16	+	+
Am. Tech	5	16	16	16	16	16	+	CrngTech	5	536	2	16	1	+	+	Handl	0.32	15	2917	31	16	+	+
Am. Tech	5	16	16	16	16	16	+	CrngTech	5	536	2	16	1	+	+	Handl	0.32	15	2917	31	16	+	+
Am. Tech	5	16	16	16	16	16	+	CrngTech	5	536	2	16	1	+	+	Handl	0.32	15	2917	31	16	+	+
Am. Tech	5	16	16	16	16	16	+	CrngTech	5	536	2	16	1	+	+	Handl	0.32	15	2917	31	16	+	+
Am. Tech	5	16	16	16	16	16	+	CrngTech	5	536	2	16	1	+	+	Handl	0.32	15	2917	31	16	+	+
Am. Tech	5	16	16	16	16	16	+	CrngTech	5	536	2	16	1	+	+	Handl	0.32	15	2917	31	16	+	+
Am. Tech	5	16	16	16	16	16	+	CrngTech	5	536	2	16	1	+	+	Handl	0.32	15	2917	31	16	+	+
Am. Tech	5	16	16	16	16	16	+	CrngTech	5	536	2	16	1	+	+	Handl	0.32	15	2917	31	16	+	+
Am. Tech	5	16	16	16	16	16	+	CrngTech	5	536	2	16	1	+	+	Handl	0.32	15	2917	31	16	+	+
Am. Tech	5	16	16	16	16	16	+	CrngTech	5	536	2	16	1	+	+	Handl	0.32	15	2917	31	16	+	+
Am. Tech	5	16	16	16	16	16	+	CrngTech	5	536	2	16	1	+	+	Handl	0.32	15	2917	31	16	+	+
Am. Tech	5	16	16	16	16	16	+	CrngTech	5	536	2	16	1	+	+	Handl	0.32	15	2917	31	16	+	+
Am. Tech	5	16	16	16	16	16	+	CrngTech	5	536	2	16	1	+	+	Handl	0.32	15	2917	31	16	+	+
Am. Tech	5	16	16	16	16	16	+	CrngTech	5	536	2	16	1	+	+	Handl	0.32	15	2917	31	16	+	+
Am. Tech	5	16	16	16	16	16	+	CrngTech	5	536	2	16	1	+	+	Handl	0.32	15	2917	31	16	+	+
Am. Tech	5	16	16	16	16	16	+	CrngTech	5	536	2	16	1	+	+	Handl	0.32	15	2917	31	16	+	+
Am. Tech	5	16	16	16	16	16	+	CrngTech	5	536	2	16	1	+	+	Handl	0.32	15	2917	31	16	+	+
Am. Tech	5	16	16	16	16	16	+	CrngTech	5	536	2	16	1	+	+	Handl	0.32	15	2917	31	16	+	+
Am. Tech	5	16	16	16	16	16	+	CrngTech	5	536	2	16	1	+	+	Handl	0.32	15	2917	31	16	+	+
Am. Tech	5	16	16	16	16	16	+	CrngTech	5	536	2	16	1	+	+	Handl	0.32	15	2917	31	16	+	+
Am. Tech	5	16	16	16	16	16	+	CrngTech	5	536	2	16	1	+	+	Handl	0.32	15	2917	31	16	+	+
Am. Tech	5	16	16	16	16	16	+	CrngTech	5	536	2	16	1	+	+	Handl	0.32	15	2917	31	16	+	+
Am. Tech	5	16	16	16	16	16	+	CrngTech	5	536	2	16	1	+	+	Handl	0.32	15	2917	31	16	+	+
Am. Tech	5	16	16	16	16	16	+	CrngTech	5	536	2	16	1	+	+	Handl	0.32	15	2917	31	16	+	+
Am. Tech	5	16	16	16	16	16	+	CrngTech	5	536	2	16	1	+	+	Handl	0.32	15	2917	31	16	+	+
Am. Tech	5	16	16	16	16	16	+	CrngTech	5	536	2	16	1	+	+	Handl	0.32	15	2917	31	16	+	+
Am. Tech	5	16	16	16	16	16	+	CrngTech	5	536	2	16	1	+	+	Handl	0.32	15	2917	31	16	+	+
Am. Tech	5	16	16	16	16	16	+	CrngTech	5	536	2	16	1	+	+	Handl	0.32	15	2917	31	16	+	+
Am. Tech	5	16	16	16	16	16	+	CrngTech	5	536	2	16	1	+	+	Handl	0.32	15	2917	31	16	+	+
Am. Tech	5	16	16	16	16	16	+	CrngTech	5	536	2	16	1	+	+	Handl	0.32	15	2917	31	16	+	+
Am. Tech	5	16	16	16	16	16	+	CrngTech	5	536	2	16	1	+	+	Handl	0.32	15	2917	31	16	+	+
Am. Tech	5	16	16	16	16	16	+	CrngTech	5	536	2	16	1	+	+	Handl	0.32	15	2917	31	16	+	+
Am. Tech	5	16	16	16	16	16	+	CrngTech	5	536	2	16	1	+	+	Handl	0.32	15	2917	31	16	+	+
Am. Tech	5	16	16	16	16	16	+	CrngTech	5	536	2	16	1	+	+	Handl	0.32	15	2917	31	16	+	+
Am. Tech	5	16	16	16	16	16	+	CrngTech	5	536	2	16	1	+	+	Handl	0.32	15	2917	31	16	+	+
Am. Tech	5	16	16	16	16	16	+	CrngTech	5	536	2	16	1	+	+	Handl	0.32	15	2917	31	16	+	+
Am. Tech	5	16	16</																				

[illegible]

**Have your FT hand delivered in
The Netherlands.**

Gain the edge over your competitors by having the Financial Times delivered to your home or office every working day. Hand delivery services are available for subscribers in all major cities throughout The Netherlands. Please call (020) 623 94 30 for more information.

Financial Times. World Business Newspaper.

environment assessment to established itself as a catalyst for a comprehensive

wards open systems.

11

AMERICA

Dow on hold ahead of key economic data

Wall Street

US shares were mixed yesterday morning as the dollar renewed its decline and investors waited for economic data due out later this week, writes Lisa Brannen in New York.

By 1 pm the Dow Jones Industrial Average was off 9.34 at 4,026.27, while the more broadly traded Standard & Poor's 500 gained 0.15 at 489.72. The American Stock Exchange composite fell 0.28 at 452.50. Meanwhile, the Nasdaq composite rose 1.55 at 803.46. Trading volume on the NYSE was 256m shares.

Investors were waiting for figures on producer and consumer prices, capacity utilisation and industrial production. The market's recent rally has been attributed in part to traders betting the Federal Reserve could negotiate a soft landing in which it would stave off inflationary pressures without causing a recession.

Turnover in Latin American financial markets hit home as banks with large Latin businesses took a beating. Triggering the slide was a profits warning issued late on Friday by Bankers Trust, which said that it might lose as much as \$125m in the first quarter due to losses in Latin America and a slowdown in its derivative business.

Bankers Trust was off 8% at \$52.14, J.P. Morgan 8% at \$61 and Citicorp 8% at \$41.4.

Meanwhile, American Depositary Receipts of Mexican companies were mostly lower yesterday in spite of Friday's economic package. Telefonos de Mexico was off 8% at \$27.75, Grupo Televisa lost 8% at \$14.75.

Santiago continues ahead

Chilean stocks continued higher although some profit-taking brought prices back from their best, early levels. The selective IPSA 40-share index, which jumped 4.5 per cent in early trade, was still 3.23 or 4 per cent higher at 84.70 during afternoon trade on strong buying by local investors, particularly pension funds, after the market's roller-coaster performance last week.

On Friday, the index rose 9.4 per cent, its largest one day

rise for more than eight years, on expectations that a loan agreement between Argentina and the IMF was imminent.

Masisa, the forestry company, surged 14 per cent to 221 pesos and Andina, the bottler, was 5 per cent higher at 1,525 pesos.

BUENOS AIRES posted further gains after Friday's 12 per cent advance. The Merval index was 10.94 or 3.6 per cent higher in late morning trading at 310.72.

MARKETS IN PERSPECTIVE

	% change in local currency †			% change in US \$ ‡		
	1 Week	4 Weeks	1 Year	Start of 1995		
Austria	-2.52	-3.01	-17.40	-6.41	+1.42	+2.52
Belgium	-2.66	-4.58	-14.67	-5.53	+1.59	+2.70
Denmark	-3.90	-5.94	-18.53	-7.79	+0.74	+1.83
Finland	-2.64	-10.15	-7.79	-10.18	-4.48	-3.44
France	-2.58	-8.06	-19.51	-6.13	-1.56	-0.50
Germany	-5.17	-5.95	-9.18	-5.88	+2.05	+3.16
Ireland	-2.68	-5.08	-2.72	-2.58	-1.40	-0.38
Italy	-2.89	-10.80	-7.14	-3.87	-7.92	-8.62
Netherlands	-1.70	-4.57	-6.02	-3.89	+3.89	+5.02
Norway	-3.41	-10.56	-13.06	-10.93	-5.54	-4.52
Spain	-5.39	-8.23	-20.07	-6.57	-6.97	-5.68
Sweden	-1.75	-8.27	-2.18	-0.76	+1.37	+2.47
Switzerland	-4.36	-5.92	-13.10	-6.00	+2.98	+0.98
UK	-0.20	-2.96	-8.08	-1.79	-1.79	-0.73
EUROPE	-2.32	-5.16	-10.79	-4.07	-0.67	-0.40

Australia	-1.98	+0.98	-11.28	-2.13	-6.95	-6.94
Hong Kong	-2.56	+0.99	-21.20	-0.32	-1.32	-2.25
Japan	-2.95	-7.16	-18.08	-15.24	-8.30	-7.93
Malaysia	-4.66	-4.07	-10.67	-2.97	-3.97	-2.93
New Zealand	-1.88	-1.44	-7.15	+2.04	+2.07	+3.11
Singapore	-2.95	-0.31	-3.02	-8.60	-7.30	-2.29
Canada	+1.86	+1.81	-2.09	-0.92	-1.87	-0.80
USA	+0.77	+1.52	+8.16	+0.52	+0.52	+0.52
Mexico	+5.19	-16.13	-31.22	-28.62	-47.70	-47.14
South Africa	-0.23	+0.20	-0.08	-11.94	-3.95	-2.89
WORLD INDEX	-1.34	-3.02	-7.58	-4.07	-1.55	-0.45

Source: Bank of International Settlements. Copyright: The Financial Times Limited, Goldsmid, Sachs & Co.

Based on March 10, 1995. Copyright, The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

	US Dollar	Day's Change	Point	Yan	Local	Local	Gross	US Dollar	Day's Change	Point	Yan	Local	Local	Gross
	Index	%	Start	Index	Index	Index	Index	Index	%	Start	Index	Index	Index	Index
Australia (88)	181.45	0.2	181.26	86.12	118.73	144.04	0.4	181.07	0.2	181.07	86.12	118.73	144.04	0.4
Austria (18)	187.35	-0.1	187.35	108.05	137.77	137.75	-0.4	187.35	-0.1	187.35	108.05	137.77	137.75	-0.4
Belgium (28)	172.97	-0.7	172.97	98.78	127.20	124.80	0.8	172.97	-0.7	172.97	98.78	127.20	124.80	0.8
Brazil (28)	126.59	22.7	126.59	90.80	77.85	171.32	22.1	126.59	22.7	126.59	90.80	77.85	171.32	22.1
Canada (108)	128.36	1.1	128.36	74.03	34.28	130.75	0.5	128.36	1.1	128.36	74.03	34.28	130.75	0.5
Denmark (33)	236.42	0.0	236.42	147.89	188.58	198.44	0.3	236.42	0.0	236.42	147.89	188.58	198.44	0.3
Finland (24)	179.58	-1.5	179.58	105.58	132.05	188.14	0.7	179.58	-1.5	179.58	105.58	132.05	188.14	0.7
France (101)	182.74	-0.9	182.74	93.80	118.26	128.82	0.8	182.74	-0.9	182.74	93.80	118.26	128.82	0.8
Germany (58)	181.45	-1.1	181.45	105.58	132.05	188.14	0.7	181.45	-1.1	181.45	105.58	132.05	188.14	0.7
Hong Kong (88)	325.32	-1.5	325.32	187.83	238.24	322.91	-1.4	325.32	-1.5	325.32	187.83	238.24	322.91	-1.4
Ireland (18)	205.65	-1.9	205.65	118.55	151.18	185.30	0.1	205.65	-1.9	205.65	118.55	151.18	185.30	0.1
Italy (58)	174.81	-2.0	174.81	85.70	42.42	81.63	0.5	174.81	-2.0	174.81	85.70	42.42	81.63	0.5
Japan (49)	145.47	-2.2	145.47	138.38	34.28	88.90	-1.4	145.47	-2.2	145.47	138.38	34.28	88.90	-1.4
Malaysia (27)	485.34	-2.0	485.34	288.98	302.21	457.45	-1.8	485.34	-2.0	485.34	288.98	302.21	457.45	-1.8
Mexico (19)	227.76	-0.9	227.76	201.82	257.08	228.08	-0.8	227.76	-0.9	227.76	201.82	257.08	228.08	-0.8
Netherlands (14)	72.84	-0.5	72.84	61.11	41.90	58.42	0.5	72.84	-0.5	72.84	61.11	41.90	58.42	0.5
New Zealand (14)	205.65	-1.9	205.65	118.55	151.18	185.30	0.1	205.65	-1.9	205.65	118.55	151.18	185.30	0.1
Norway (28)	236.42	0.0	236.42	147.89	188.58	198.44	0.3	236.42	0.0	236.42	147.89	188.58	198.44	0.3
Sweden (48)	346.57	2.5	346.57	188.58	240.45	264.07	0.1	346.57	2.5	346.57	188.58	240.45	264.07	0.1
Spain (38)	124.89	-0.8	124.89	72.08	91.84	122.96	0.8	124.89	-0.8	124.89	72.08	91.84	122.96	0.8
Switzerland (47)	171.94	-1.7	171.94	93.80	118.26	128.82	0.8	171.94	-1.7	171.94	93.80	118.26	128.82	0.8
Thailand (14)	134.21	-2.9	134.21	72.08	91.84	122.96	0.8	134.21	-2.9	134.21	72.08	91.84	122.96	0.8
United Kingdom (204)	181.45	-1.1	181.45	105.58	132.05	188.14	0.7	181.45	-1.1	181.45	105.58	132.05	188.14	0.7
USA (512)	200.26	1.3	200.26	118.55	151.18	185.30	0.1	200.26	1.3	200.26	118.55	151.18	185.30	0.1
Americas (587)	182.97	1.8	182.97	105.47	134.48	155.81	1.4	182.97	1.8	182.97	105.47	134.48	155.81	1.4
Europe (720)	188.85	-1.3	188.85	97.83	124.74	144.49	0.8	188.85	-1.3	188.85	97.83	124.74	144.49	0.8
Nordic (128)	226.46	0.0	226.46	130.51	186.53	202.50	1.4	226.46	0.0	226.46	130.51	186.53	202.50	1.4
Pacific Basin (209)	181.45	-1.1	181.45	105.58	132.05	188.14	0.7	181.45	-1.1	181.45	105.58	132.05	188.14	0.7
Asia-Pacific (1529)	159.95	-1.7	159.95	92.25	117.83	113.06	-0.5	159.95	-1.7	159.95	92.25	117.83	113.06	-0.5
North America (815)	188.85	-1.3	188.85	97.83	124.74	144.49	0.8	188.85	-1.3	188.85	97.83	124.74	144.49	0.8
Europe Ex. UK (510)	181.45	-1.1	181.45	105.58	132.05	188.14	0.7	181.45	-1.1	181.45	105.58	132.05	188.14	0.7
Pacific Ex. Japan (209)	226.46	0.0	226.46	130.51	186.53	202.50	1.4	226.46	0.0	226.46	130.51	186.53	202.50	1.4
World Ex. UK (1737)	180.20	-1.4	180.20	92.25	117.83	113.06	-0.5	180.20	-1.4	180.20	92.25	117.83	113.06	-0.5
World Ex. UK (2048)	170.18	-0.3	170.18	125.16	128.79	128.79	0.2	170.18	-0.3	170.18	125.16	128.79	128.79	0.2
World Ex. Japan (1768)	181.45	-1.1	181.45	105.58	132.05	188.14	0.7	181.45	-1.1	181.45	105.58	132.05	188.14	0.7
The World Index (2249)	172.24	-0.4	172.24	99.34	126.58	140.78	0.5	172.24	-0.4	172.24	99.34	126.58	140.78	0.5

Copyright, The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited. 1995

EUROPE

Rights issue fears undermine weak Milan bourse

After a morning affected by currency nerves, Wall Street's inability to sustain Friday's gains weighed on senior bourses, but the biggest swings in share price indices, in Italy and Germany, came in low volume, writes Our Markets Staff.

MILAN was hit by lira and bond weakness during a session in which few investors were willing to build new positions ahead of today's expected parliamentary vote on the budget. The Comit index fell 6.53 to 598.86 while the real-time Mibtel index lost 173 or 1.8 per cent to 9,543.

Gemina finished down 1.48 or 1.41 per cent at 1,903, having twice been suspended for excessive losses, after the announcement late of Friday that the financial holding company was seeking a capital increase of up to L1,550bn. Mediobanca, which along with Paribas is to guarantee the operation, lost L371 to L1,943.

Fondriaria, the insurer which has said that it expected to have lost hundreds of billions of lire in 1994, dropped L89 or 7.5 per cent to L8,639 on fears that it planned its own capital increase. Benetton added to Friday's 4.8 per cent fall with

one of L568 to L14,041 on continuing worries about the company's margins.

Cir was under pressure, losing L58 to L1,478, on renewed concerns about the expected size of Olivetti's losses for 1994. Olivetti was off L39 at L1,822.

FRANKFURT's Dax index came off a high of 2,017.96 to end the session at 1,999.49, turnover falling from DM7,600 to DM5,300. The key index continued downwards in the post-bourse to end 34.71 or 1.7 per cent off at an ill-indicated 1,974.14, its low for the day.

Traders said that DTB selling of futures and then the cash market had more effect than negligible movements in the dollar, and in bonds. Last week's discrimination between cyclical and defensive stocks was not extended with Allianz and Deutsche Bank down DM55 to DM287, and DM14.90 to DM679.10, and BMW and Continental DM18.80, and DM9.50 lower at DM693 and DM195 respectively.

However, a sector strategy report from Salomon Brothers added its weight to the debate: the broker said that cyclical might not be able to achieve the significant earnings recovery

THE EUROPEAN SERIES

Mar 13	Open	10.30	11.00	12.00	13.00	14.00	15.00	2.00
FT-SE Europe 100	1233.59	1233.59	1231.61	1227.52	1227.52	1227.52	1227.52	1227.52
FT-SE Europe 200	1311.29	1311.29	1311.29	1311.29	1311.29	1311.29	1311.29	1311.29

any market expects if the D-Mark remains strong, and if the European capital spending cycle turns out to be weaker than expected.

PARIS suffered in sympathy with a weak franc and sank to its lowest level since November 1992. The CAC-40 index ended 21.3 down at 1,721.8 on turnover of FR3bn with sentiment hit by the suspension of two leading stocks.

Trading in Alcatel-Alsthom was halted pending a statement about the judicial suspension of the company's chairman. The shares reopened in the afternoon and ended FR7.20 lower at FR357.50.

Spie Batignolles, the building and public works unit of Schneider, did not trade pending news of its financial restructuring, but Schneider

today. Analysts noted early selling by a Geneva based private bank, and subsequently by UBS, prompting expectations that the bank might be about to downgrade the stock.

Nestlé, whose shares held up well in last week's falling market, dropped Sfr16 to Sfr11.02 as investors reassessed its prospects in the light of the Swiss franc's strength against not only the dollar, but also other European currencies.

SBC picked up Sfr5 to Sfr348 ahead of 1994 results tomorrow, while CS Holding fell Sfr11 to Sfr458 after its annual news conference in London.

AMSTERDAM took a pragmatic look at the dollar and the defensive cyclical argument as the AEX index ended just 0.33 down at 393.33.

In contrast with recent fashion, financials were marked down on talk of downgrades by brokers worried about the effect of the higher dollar, but a senior cyclical, Hoogovens, was lifted Fl1.70 to Fl67.40, analysts saying that Thursday's 1994 results should benefit from buoyant steel and aluminium markets and extensive restructuring.

MADRID trotted water ahead of the release of key inflation data today and anticipation of a 50-basis point rise in the intervention rate.

The general index closed marginally higher at 267.37, helped by recovery among some hard-hit stocks. The sausage skin maker, Viscofan, bounced Ptas5 to Ptas158 and the property developer, Vallehermoso, by Ptas15 to Ptas1740. A flight to quality helped Banco Popular up Ptas160 to Ptas1600.

STOCKHOLM's Affarsvarlden General index, down 2.10 at 1,460.30, concealed a rise of SKr4 to SKr183.50 for Astra A, as the pharmaceutical company got FDA approval for extended use of its anti-ulcer drug, Losec, in the US, and a fall of SKr2 to SKr151 for Skanska ahead of the construction group's 1994 figures today. BUDAPEST jumped 45.87 to 1,258.48 in reaction to the 9 per cent devaluation of the Hungarian forint. Hungarian shares have fallen from a peak of 2,189 in February last year.

Written and edited by William Cochrane, Michael Morgan and Peter John

ASIA PACIFIC

Program trades drive Nikkei as Hong Kong adds 2%

Tokyo

Late buying saved the Nikkei index from slipping below a 15-month low on Monday, but volume was thin, writes Bethan Hutton in Tokyo.

The 225 average closed up 119.28 at the day's high of 16,477.84, after a low of 16,081.04 tested resistance at the 16,000 level. Volume dropped to around 250m shares, compared with Friday's 696.93m.

Although the main index rose, declining stocks outnumbered gainers by 646 to 358, with 180 unchanged. The first-section Topix index fell 2.79 to 1,330.17, while the Nikkei 300 index was down 0.11 at 243.83.

In London, the ISE/Nikkei 50 index fell 1.54 to 1,078.27.

Ms Kathy Matsui of Goldman Sachs said that program trading had driven the market: "We saw quite a big breakdown caused by some major sell programs in the afternoon session; then, very much in the last half hour or 15 minutes, the market shot up by 100 points on some buy programs."

Concern over the lack of action on the strong yen was still depressing the market, but there was evidence of support at the 16,000 level. Brokers expect the market to trade in the range of 16,000 to 17,000 until there is a decisive move on the yen issue.

"The yen I think is concern number one on investors' minds at the moment, plus the fact that we are approaching the end of the fiscal year," said Ms Matsui.

Kobe Steel, which announced large post-earthquake losses after the market closed, ended the session down Y3 at Y244, having regained some ground. Nippon Steel also lost Y4 to close at Y334.

S Africa up from lows

Johannesburg finished mixed as the scrapping of the financial rand and subsequent strengthening in the unified unit dragged gold shares lower. After a nervous start, a more positive tone was reflected in a strong industrial market on renewed foreign

demand in the sector. The overall 12.7 better at 5,337.7, industrials gained 51.3 to 6,608.8 and golds fell 32.6 to 1,522.9.

De Beers ended 75 cents better at R23.50, in spite of a strong rand, reflecting its gains in dollar terms.

India

MANILA rose after six days of decline as local investors started to accumulate issues sold down by foreign fund managers. The composite index closed 24.57 higher at 2,335.83.

Turnover stayed light with 1.4bn shares worth \$52.2m pesos changing hands and brokers, noting sustained selling pressure from foreign investors, cited this as a sign of underlying weakness in the market.

SYDNEY ended positively after eight falls in a row, the All Ordinaries index closing 15.6 higher at 1,884.5. Turnover was estimated at A\$261m, thinned by the Labour Day holiday in Melbourne.

BHP closed 14 cents higher at A\$19.22, in mining. CRA gained 18 cents to A\$17.54 as WABC rose 10 cents to A\$7.05.

In Osaka, the OSE index closed down 136.83 at 18,362.45 in volume of 237m shares.

Roundup

Wall Street's 52 point rise in the Dow last Friday found some markets in the region more responsive than others.

HONG KONG was 2 per cent higher, boosted by selective buying of heavily weighted blue chips, but volume was still thin.

The Hang Seng index closed 161.88 higher at 8,111.27, having peaked at 8,12

Portugal: Finance and Investment

Tuesday March 14 1995

Political wobbles are shrugged off

Despite the country's hesitant pre-electoral mood, David White and Peter Wise believe the economy is on track to meet this year's growth forecast

Still ingrained in the walls of Lisbon are the graffiti of more than a decade ago, urging successive administrations out of office - reminders of a time before the Portuguese got tired of seeing governments change with the regularity of ferries crossing the Tagus.

Economic confidence in Portugal, most evident during the euphoric growth of the late 1980s and now more cautiously returning, has been supported by two pillars: membership of the European Union since 1986, and recent political stability. The second of those pillars is now definitely starting to wobble.

The political scene has changed with the decision in January by Mr Anibal Cavaco Silva, the prime minister, to abandon the leadership of the ruling centre-right Social Democratic party (PSD) after almost 10 years. This puts the country in the unusual interim position of having a prime minister who is not a party leader.

Mr Cavaco Silva will stay on as head of government until general elections. The odds are now that these will take place on schedule in October. Mr Mário Soares, the Socialist president, last week rejected opposition calls to hold them earlier. The elections could well produce a political stalemate.

The prospect of a shaky minority government or uneasy coalition inevitably recalls the agitated early years following the 1974 revolution. Mr Cavaco Silva came in as the 10th post-1974 prime minister. In power since October 1985, an unprecedented run in Portuguese democracy, he has become synonymous with sta-

bility. Since July 1987 he has enjoyed a single-party majority, a novelty after 13 years in which Portugal had 16 governments.

He presided over the initial period of EU membership, which brought a spurt in growth, new middle-class wealth, liberalisation, and a big improvement in consumer choice and standards. Spirits and the government's standing both flagged with the onset of recession in mid-1992, and recovery, although clearly under way and accompanied by the lowest inflation for 25 years, has been slow.

Mr Cavaco Silva, clearly judging that the recovery wave might not be strong enough to regain the government's lost popularity, has left himself clear to run for head of state next year at the end of President Soares' second and final five-year term. The PSD already faced electoral difficulties. The Socialist party has been ahead in the polls for some time, although it scored only a narrow lead in last June's European parliament vote.

Many doubt whether the new PSD leader chosen last month, Mr Fernando Nogueira, a forceful 44-year-old, up to now defence minister and long-standing number two to Mr Cavaco Silva, is the man to breathe new life into the party's support.

Portugal is now therefore in a hesitant pre-electoral mood. It is unlikely that either of the two main parties will win an outright majority. A Socialist-PSD grand coalition as in 1988-89 is most unlikely. Since no one wants to join forces with Portugal's unreconstructed Communists, this

means either a one-party minority government or an alliance between one of them and the conservatives of the small, newly-renamed Popular party.

While all this has an uncomfortable element of déjà vu, the situation does not carry the same dangers it did 10 years ago. Portugal is not struggling out of a balance-of-payments crisis. It is better-equipped, and the government has a lesser role in the economy - partly because of the crucial part played by EU funds and decisions made in Brussels, partly because of the reduced weight of the nationalised sector and correspondingly increased size of the private sector.

A further reason why wobbly politics matter less is that no prospective government would deviate much from the current economic stance. Mr Eduardo Ferro Rodrigues, Socialist party economics spokesman, says a Socialist government would have little room for manoeuvre, although it would want to change the tax structure and investigate the high cost of commercial borrowing which hobbles much of the country's industry. "We cannot break with the main lines of economic policy," he says.

Even so, the political outlook threatens to undermine the confidence of both investors and consumers. An accessory cause of unease among foreign investors was the government's handling last month of the takeover of the third largest bank, Banco Totta e Aepres. In order to ensure the bank's return from Spanish to Portuguese control, it lifted the standard requirement for

the buyer to make a full bid for all the shares, prompting the board of the stock exchange commission to resign en bloc and encouraging suspicions about the temptation to bend rules when politically convenient. Investment decisions may be delayed. Important government business will also be set back if the elections are not held until October, with approval of the 1996 budget likely to be several months late.

However, the economy appears to be on track to meet the government's forecast of 2.5-3.5 per cent growth this year, which would bring it back in tune with the general EU trend. This is, however, still nothing like the second half of the 1980s when growth

averaged nearly 5 per cent. No Portuguese region yet comes anywhere near the EU average for per capita income. Last year's real increase in gross domestic product is put by the Bank of Portugal at 1 per cent, after a negative 1 per cent figure in 1993.

Private consumption has suffered from a decrease in families' disposable incomes in the past two years, and from the discouraging impact of a rise in unemployment (7.1 per cent of the working population at the end of last year, compared with 4.5 per cent two years earlier). Private investment also remains weak. Portugal, because of its export dependence on other European economies, is relatively late in following the economic cycle, with a lag of about nine

months on its partners. In terms of a recovery in domestic demand, economists say the lag is more like 18 months.

Although much of the impetus this year is expected to be provided by public investment - something of a custom in an election period - growth so far has primarily come from exports, three-quarters of which go to the rest of Europe.

Volkswagen and Ford's new joint-venture plant at Palmela, south of Lisbon, is on its own expected to add more than 15 per cent to Portugal's exports by the time its minivan saloons are in full production next year. But the country's vulnerability is underscored by a row over the threat of closure at Renault's plant at nearby Setúbal, in operation for 15 years.

Portugal is the EU country where it is cheapest to employ production workers. The current minimum legal wage is Es\$2,000 (\$335) a month. But it cannot rely on keeping a competitive edge on that basis alone. The GATT deal and EU association agreements with eastern European countries threaten to undermine Portugal's markets - especially clothing and textiles - with lower-wage competition.

The government has lashed itself to the aims of a stable escudo, low inflation and budget control in an effort to meet the convergence targets for the third phase of European economic and monetary union. But Portugal reluctantly accompanied Spain's currency devaluation on March 6, because of the close ties

Devaluation: the Spanish factor

For several months, the escudo had been under no undue pressure. But on March 6, Portugal abruptly devalued the central parity of the currency in the ERM by 3.5 per cent.

The motive was not a sudden darkening of the economic outlook, but a reluctant decision that it would be prudent to accompany Spain's 7 per cent devaluation of the peseta. So is Portugal tied to Spain?

See Page 2 of this survey.

Also:
The stock market bid fever... 3
Futures: Barcelona as model... 3
Privatisation: a Telecom pointer... 4
Old families: they're back... 4
Banking: reshaping itself... 5
Offshore centres: trade winds... 6
Electronic purse: leaping ahead... 6
Real estate: shops in demand... 7
Project finance: bridging a gap... 7
Tourism: new life for villages... 8



The Lisbon Stock Exchange, in its new building on the city's northern edge, has been the scene of takeover fever. See Page 3 of this survey



BOLSA
DE VALORES DE LISBOA



1994 represented a turning point for the Lisbon Stock Exchange.

After 225 years in the old town, the exchange moved to new and modern premises in uptown Lisbon.

At the same time, fundamental changes occurred in the market:

- as of June 1st, all cash transactions were centered in the Lisbon Stock Exchange, following the market specialization agreement between the Portuguese Stock Exchange Associations.
- on June 15th, a new tax benefit came into force, exempting from the withholding tax the income from Treasury Bonds (OT's) held by foreign investors.
- on June 23rd, the Special Market for Block Trading of Bonds, known as "MEOG", began operating.

By year end, total turnover in Stocks had increased by 83.5%, on top of a 58% increase in 1993, and prices, as measured by the BVL General Index, showed a 8.4% hike, again after a 53% increase in 1993.

Members of the Bolsa de Valores de Lisboa Association

ASCOR DEALER - Sociedade Financeira de Corretagem, SA
Rua de Conceição, 131 - 3º e 4º - 1100 Lisboa
Tel. 347 82 78/9/80 • Fax. 347 82 86/7

BSN DEALER - Soc. Financeira de Corretagem, SA
Av. Eng. Duarte Pacheco
Complexo Amoreiras Torre 1 - 6º, Sala 1 - 1070 Lisboa
Tel. 380 15 00 • Fax. 387 70 19/7151

COMERCIAL DEALER - Sociedade Financeira de Corretagem, SA
Av. José Malhoa, Lote 1686 - 1070 Lisboa
Tel. 727 01 10/0278 • Fax. 727 0976

CORRETORA ATLÂNTICO - Sociedade Financeira de Corretagem, SA
Av. Barbosa du Bocage, 45 - 1º - 1000 Lisboa
Tel. 793 28 62 • Fax. 795 07 89

ESER - Sociedade Financeira de Corretagem, SA
Rua Tierno Galvan, Torre 3 - 11º - Amoreiras 1070 Lisboa
Tel. 385 56 16 • Fax. 385 57 35

BFE DEALER - Soc. Financeira de Corretagem, SA
Av. General Firmino Miguel, 3 - 6º 1600 Lisboa
Tel. 727 21 63 • Fax. 727 20 58/9

CENTRAL DE INVESTIMENTOS Soc. Financeira de Corretagem, SA
Av. Miguel Bombarda, 36 - 4º B/C/D 1050 LISBOA
Tel. 793 70 27 • Fax. 796 60 61

SOFIN Sociedade Financeira Internacional de Corretagem (Dealers), SA
Av. Eng. Duarte Pacheco - Complexo Amoreiras, Torre 1 - 8º, Sala 9, 10, 11 1070 Lisboa
Tel. 380 50 00/12 • Fax. 385 17 46/69 20 05

TOTTADEALER - Soc. Financeira de Corretagem, SA
Av. da República, 64 - 1º - 1050 Lisboa
Tel. 793 91 32/9066 • Fax. 796 48 71

M VALORES - Soc. Financeira de Corretagem, SA
Av. 24 de Julho, 50 - 1200 Lisboa
Tel. 3953886 Fax. 3953916

BBV INTERACTIVOS (Portugal) Soc. Financeira de Corretagem, SA
Av. da Liberdade, 222 - 6º - 1250 Lisboa
Tel. 311 72 58/7492 • Fax. 311 75 84

MIDAS CORRETORA - Soc. Corretora de Valores Mobiliários, SA
Campo Pequeno Nº 45 - 7º, Edifício Taurus 1000 Lisboa
Tel. 790 03 00 • Fax. 7958943/4/5/6

IC.F.I. Companhia Fin. Internacional, Sociedade Corretora, SA
Rua Braamcamp, 52 - 5º Esq. - 1250 Lisboa
Tel. 386 37 30 • Fax. 386 20 37

DOURO - Soc. Corretora de Valores Mobiliários, SA
Largo Jean Monet, 1 - 5º 1250 Lisboa
Tel. 352 23 45 • Fax. 352 23 39

NCO DEALER - Soc. Financeira de Corretagem, SA
Av. de Berna, 24 - D / Rua Laura Alves, 12 - 6º 1050 Lisboa
Tel. 791 94 00 • Fax. 791 94 11

FINANTIA CORRETORA - Soc. de Corretagem, Lda
Av. dos Combatentes, Torre 1, Lote H - 1º A - 1600 Lisboa
Tel. 726 75 40 • Fax. 726 53 10/5601

TÍTULO - Sociedade Corretora, SA
Av. da República, 60 - 9º - 1000 Lisboa
Tel. 793 74 24 • Fax. 793 72 67

FINCOR - Sociedade Corretora, SA
Rua Braamcamp, 9 - 7º - 1200 Lisboa
Tel. 315 58 99 • Fax. 540 919

PARS - Sociedade Corretora, SA
Av. da Boavista, 3521 - 3º, Sala 302 4100 Porto
Tel. 610 41 67 • Fax. 610 41 64

DB CORRETORA - Soc. Corretora de Valores Mobiliários, SA
Rua Castilho, 20 - 5º - 1250 Lisboa
Tel. 311 12 04 • Fax. 352 64 90

LISBON STOCK EXCHANGE
EDIFICIO DA BOLSA - R. SOEIRO PEREIRA GOMES - 1600 LISBOA - PORTUGAL
Tels.: (351) 11 795 20 31/8 - Fax: (351) 11 795 20 21

FINCOR - Sociedade Corretora, SA
Rua Braamcamp, 9 - 7º - 1200 Lisboa
Tel. 315 58 99 • Fax. 540 919

PARS - Sociedade Corretora, SA
Av. da Boavista, 3521 - 3º, Sala 302 4100 Porto
Tel. 610 41 67 • Fax. 610 41 64

DB CORRETORA - Soc. Corretora de Valores Mobiliários, SA
Rua Castilho, 20 - 5º - 1250 Lisboa
Tel. 311 12 04 • Fax. 352 64 90

LISBON STOCK EXCHANGE
EDIFICIO DA BOLSA - R. SOEIRO PEREIRA GOMES - 1600 LISBOA - PORTUGAL
Tels.: (351) 11 795 20 31/8 - Fax: (351) 11 795 20 21

FINCOR - Sociedade Corretora, SA
Rua Braamcamp, 9 - 7º - 1200 Lisboa
Tel. 315 58 99 • Fax. 540 919

PARS - Sociedade Corretora, SA
Av. da Boavista, 3521 - 3º, Sala 302 4100 Porto
Tel. 610 41 67 • Fax. 610 41 64

DB CORRETORA - Soc. Corretora de Valores Mobiliários, SA
Rua Castilho, 20 - 5º - 1250 Lisboa
Tel. 311 12 04 • Fax. 352 64 90

LISBON STOCK EXCHANGE
EDIFICIO DA BOLSA - R. SOEIRO PEREIRA GOMES - 1600 LISBOA - PORTUGAL
Tels.: (351) 11 795 20 31/8 - Fax: (351) 11 795 20 21

FINCOR - Sociedade Corretora, SA
Rua Braamcamp, 9 - 7º - 1200 Lisboa
Tel. 315 58 99 • Fax. 540 919

PARS - Sociedade Corretora, SA
Av. da Boavista, 3521 - 3º, Sala 302 4100 Porto
Tel. 610 41 67 • Fax. 610 41 64

DB CORRETORA - Soc. Corretora de Valores Mobiliários, SA
Rua Castilho, 20 - 5º - 1250 Lisboa
Tel. 311 12 04 • Fax. 352 64 90

LISBON STOCK EXCHANGE
EDIFICIO DA BOLSA - R. SOEIRO PEREIRA GOMES - 1600 LISBOA - PORTUGAL
Tels.: (351) 11 795 20 31/8 - Fax: (351) 11 795 20 21

PORTUGAL: FINANCE AND INVESTMENT 2

The economy: Peter Wise discusses the reluctant and controversial devaluation of the escudo

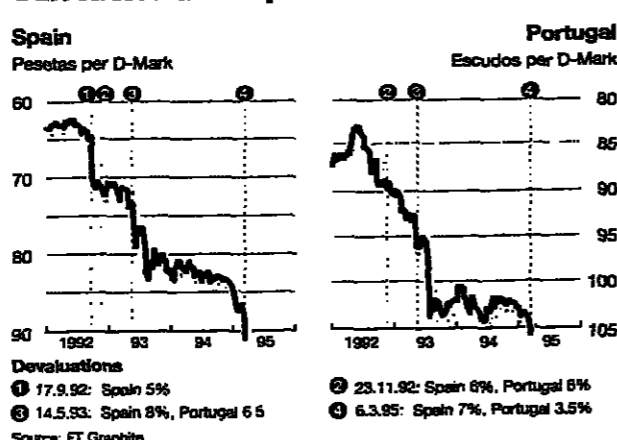
Tied to Spain? That is the global view

In the midst of recession in the spring of 1994, the Bank of Portugal used every weapon within its grasp - from heavy interventions in the foreign exchange market to colossal increases of money-market intervention rates - to defend the escudo against attacks by speculators.

The strategy was costly but successful. For 18 months from August 1993, when the fluctuation bands of the European Monetary System's exchange rate mechanism were widened to 15 per cent, the escudo remained secure within a relatively narrow band of Esi01.5 and Esi04.5 to the D-Mark.

Currency stability provided a foundation for Portugal to resume non-inflationary growth. Average annual inflation fell to 5.3 per cent in 1994 - the lowest level for 25 years - from 6.5 per cent in 1993. After two years of recession, gross domestic product began to grow at an annualised rate of 2 per cent in the second half of 1994.

Currencies under pressure



But on March 6 this year, when for several months the escudo had been under no undue pressure, Portugal abruptly devalued the central parity of the currency in the ERM by 3.5 per cent. The motive was not a sudden darkening of the economic outlook but a reluctant

decision that it would be prudent to accompany Spain's 7 per cent devaluation of the peseta, which had been under selling pressure for several weeks.

It was an occasion when Lisbon officials might have recalled the Portuguese proverb that nothing but bad marriages

and ill winds can be expected from Spain. Portugal's unwilling decision to devalue was an acknowledgment that the escudo and peseta are closely linked in the perception of international markets, despite what Portugal sees as the more favourable evolution of its economy.

Officials feared that failure to accompany Spain would have threatened the credibility of Portugal's exchange-rate policy and possibly provoked fresh speculation against the escudo. "Portugal must have felt aggrieved, but it clearly opted to devalue as an insurance policy for the escudo

and the economy," said David McWilliams, senior European economist with Union Bank of Switzerland in London.

Being pressured into a devaluation by the predicament of its neighbour has unquestionably rankled with the Portuguese. They have had to accept that their

own success in establishing reasonably healthy economic trends has not yet been sufficient to separate the country's fortunes from those of Spain in the eyes of international investors.

The devaluation was particularly aggravating for Portugal, as it came after a period of seven months when the escudo had appreciated about 5.5 per cent against the peseta, establishing a clear distinction between the evolution of the two currencies. "This was a result of the credibility Portugal has won for its determination to preserve foreign exchange rates stability as a central element of economic policy," says José Costa Pinto, deputy governor of the Bank of Portugal.

Largely because of joint membership of what is now the European Union, the Portuguese and Spanish economies have grown increasingly interlinked. Bilateral trade has grown tenfold in the past decade. Spain is Portugal's second biggest export market after Germany, accounting for about 15 per cent of exports. Spain is

Following the currency realignment, many economists believe it is now inevitable that Portugal will only join the single-currency group when Spain joins.

This is in line with the thinking of the opposition Socialists. But the centre-right government had nurtured the hope that Portugal could have been in a position to at least consider participating in monetary union, even if Spain was left behind. That aspiration now appears to have been stifled for good.

The government remains committed. "The progress Portugal has made over the last four years in terms of inflation, long-term interest rates, the budget deficit, and public debt has placed us in a better relative position than Spain, Italy or Sweden," says Eduardo Catroga, the finance minister. "We will continue to make steady advances in relation to both real and nominal convergence."

His confidence is reasonably supported by results. The inflation differential between Portugal and the EU average narrowed to less than one percentage point at the end of

The devaluation was particularly aggravating for Portugal, as it came after a period of seven months when the escudo had appreciated about 5.5 per cent against the peseta, establishing a clear distinction between the evolution of the two

1994, compared with 5.5 point in 1992.

António de S. O. S. a. governor of the Bank of Portugal, attributes a jump in the year-on-year rate of inflation from 4.0 per cent in December to

4.5 per cent in January to increases in value added tax and administered prices. He is confident the downward trend will be rapidly re-established.

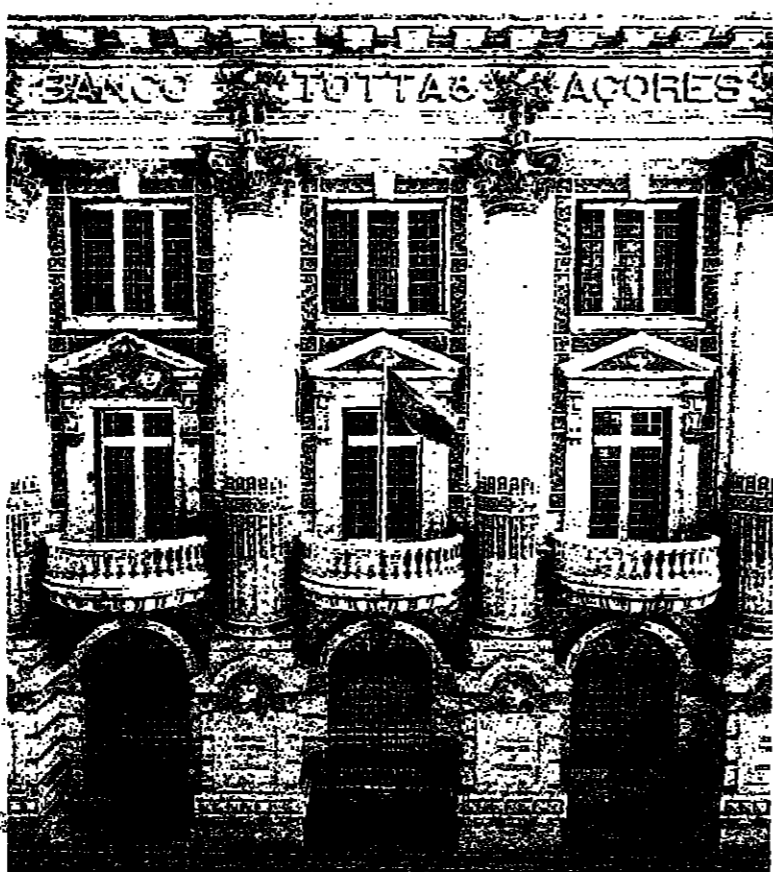
The budget deficit fell to 5.8 per cent of GDP last year, from 7.4 per cent in 1993. The current account is headed for a surplus of 0.5 per cent of GDP this year, largely due to EU transfers. Public debt, forecast at 72.4 per cent of GDP this year, is at a moderate level. However, despite the government's ostensible commitment to nominal convergence, Miguel Namorado Rosa, an economist with Banco Comercial Português, believes it is more immediately concerned with stimulating economic growth. He considers the 1995 budget excessively expansionist, and notes that it includes specific stimuli for private consumption, such as a suspension of stamp duty on consumer credit.

This concern with growth, which appears to be reflected in the decision to devalue, may not be unrelated to the election in October. Opposition economists suggest the government may be planning a mid-year increase in public sector pay or in pensions if public finances evolve favourably.

Private consumption and investment were the weakest components of the export-led recovery of 1994, when GDP growth is estimated to have moved to at least 1 per cent from a decline of 1 per cent in 1993. Economists consider the government's 1995 GDP growth target of 2.5 to 3.5 per cent to be realistic.

"The path of growth was slower in Portugal than in the rest of the EU in 1994," says Carlos Tavares Moreira, head of Grupo Crédito Agrícola and a former governor of the Bank of Portugal. "But the recovery is now a fact."

Portugal's most experienced international bank



Banco Totta & Acores is the result of mergers and acquisitions of several banks and finance houses over the years, dating back to 1843.

Proud of its past, Banco Totta & Acores is now one of the leading banks in Portugal. But more than just a bank, Totta became the true expression of a powerful financial group.

Totta, probably the most experienced Portuguese bank in international business.

NEW YORK AGENCY
590, 5th Avenue - New York - NY 10036 - USA

NEWARK AFFILIATED CO
46, Ferry Street - Newark - New Jersey 07105 - USA

NAUGATUCK AFFILIATED CO
215, Church Street - Naugatuck - CT 06770 - USA

TORONTO REPRESENTATIVE OFFICE
1110, Dundas Street West - Toronto - Ontario M6J 1X2 - CANADA

CAYMAN ISLANDS BRANCH
P.O. Box 501 - Grand Cayman - BRITISH WEST INDIES

MACAU BRANCH
Rua da Praia Grande, 57 - 21° - PO Box 912 - MACAU

LONDON BRANCH
68, Cannon Street - London EC4N 6AQ - ENGLAND

MILAN REPRESENTATIVE OFFICE
Via S. Pietro all'Orto, 3 - 20121 Milan - ITALY

AMSTERDAM REPRESENTATIVE OFFICE
Leidsegracht 9 - 1017 NA Amsterdam - HOLLAND

LUXEMBOURG BRANCH
Avenue de la Liberté, 27 - L 1931 LUXEMBOURG

HEAD OFFICE
Rua Áurea, 88 - 1100 Lisbon - PORTUGAL

CARACAS REPRESENTATIVE OFFICE
Av. Francisco Miranda - Edifício Gonçalves Zarco
Caracas 1070 - VENEZUELA

BISSAU BRANCH
Rua 19 de Setembro, 15 - P.O. Box 618
Bissau - REP. GUINÉ-BISSAU

LUANDA BRANCH
Av. 4 de Fevereiro, 99 - P.O. Box 1231 - Luanda
REP. OF ANGOLA

PRAIA - CABO VERDE REPRESENTATIVE OFFICE
Rua Justino Lopes, 82
Cidade da Praia - REP. OF CABO VERDE

JOHANNESBURG REPRESENTATIVE OFFICE
Middelburg - 111, Kerk Street, 11th Floor
2001 Johannesburg - REP. OF SOUTH AFRICA

MADEIRA OFFSHORE BRANCH
Largo do Chafariz, 8 - 9100 Funchal - MADEIRA

AFFILIATED BANKS

Banco Standard Totta de Moçambique
Banco Internacional de S. Tomé e Príncipe

**BANCO
TOTTA & AÇORES**

TRADITION - EXPERIENCE - DYNAMISM
SINCE 1843

Economic indicators: real change (%)

	1990	1991	1992	1993	1994	1995
GDP	4.2	2.2	1.5	-1.0	1.5	3.2
Private consumption	5.0	5.2	4.7	0.3	1.3	3.0
Public consumption	1.9	3.1	1.5	0.3	1.0	4.0
Investment	7.0	2.8	4.5	-5.5	0.5	6.5
Domestic demand	5.4	3.9	3.9	-1.1	1.0	4.0
Exports	12.2	1.8	5.0	-4.1	12.5	8.0
Imports	14.0	6.5	11.3	-3.4	7.0	8.0

Sources: Bank of Portugal (1990-93); Banco Comercial Português (1994-95)

A safer
of eme
market
to sell

JP 11/150

PORTUGAL: FINANCE AND INVESTMENT 3

Peter Wise considers the outlook for the Lisbon stock market

A safer kind of emerging market looks to sell-offs

The Lisbon stock exchange, housed in a gleaming black tower, is an unlikely stage for melodrama. Emotion rarely stirs the small group of young traders, who gather in the high-tech trading room, to raise their voices above a dignified call.

But an undercurrent of excitement began to rouse the market last year, with the announcement of a hostile takeover bid for Banco Português do Atlântico, the second largest bank, by Banco Comercial Português, a considerably smaller rival.

Conflict within the previously sedate banking world grew into a financial cliff-hanger as other bids followed, placing reserved bankers uncomfortably under a spotlight of intense media coverage. The climax is programmed for March 24, when the result of the BCP bid will be determined.

In February, the plot hit a note of high drama when the president and top officials of the Securities and Exchange Commission (CMVM), the capital markets supervisory body, resigned, accusing the government of damaging the credibility of the market.

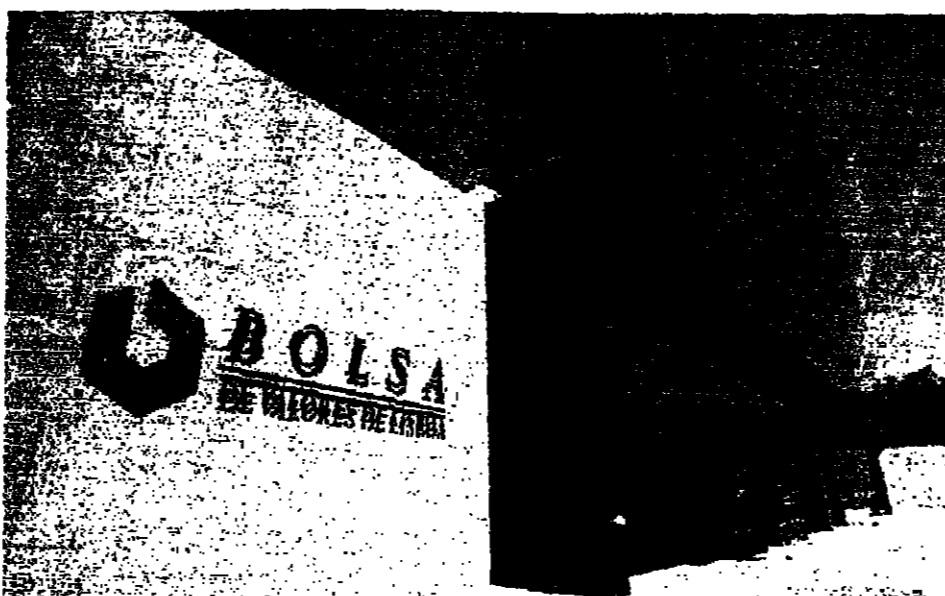
The measure that provoked the CMVM's five-man executive committee to quit was government authorisation for António Champalimaud, a Portuguese industrialist, to buy the 50 per cent of Banco Totta e Azevedo (BTA), the third biggest bank, owned by Banco Español de Crédito, the Spanish bank, without having to make an offer for 100 per cent.

Although the BTA case has been officially resolved in Mr Champalimaud's favour, theoretical arguments continue to

rage over the issue. More important, the CMVM board's resignation, amid a climate of large-scale takeovers, has instigated a wider debate on the role that Portugal hopes to play within Europe's increasingly integrated financial markets, and how best to shape the regulatory framework of the Lisbon bourse.

"In a European context, the tendency is for investors to concentrate more and more in highly-developed markets where there is the most liquidity," says a Lisbon fund manager. "The critical question we have to ask ourselves is whether a regional market such as Portugal will make any sense at all if it is too highly regulated."

Portugal's strongest selling point for financial investors is in offering the high economic growth rates of an emerging market without the political and financial risk normally associated with Latin America or Asia. Investors who have given Portugal a significant weighting in their emerging-market portfolios have been rewarded over the past two



The Lisbon Stock Exchange moved last summer to a sleek tower block that is part of a new financial centre

years. Lisbon performed better than any other European equity market in 1993 and 1994. Share prices, as measured by the Lisbon stock exchange's National Continuous Index (BVL-INC), rose by an average of 7.4 per cent last year compared with 1993. In 1993 they had risen 53 per cent over the previous year. Total turnover, including bonds, increased 34 per cent last year and 97 per cent in 1993.

The outlook for this year is less buoyant. Portugal will inevitably be affected by the withdrawal of funds from emerging markets as a result of the crisis in Mexico. Many investors turned to equity in 1994 because of falling interest rates on the bond market, which are now beginning to stabilise. In addition, banks, which account for more than 50 per cent of total market capitalisation, are suffering their heaviest decline in profit growth for a decade.

On the brighter side, the privatisations planned for this

year of important utilities and industrial companies, including telecommunications, paper pulp and electricity production, will attract new investors, build liquidity and produce a more even balance between financial and non-financial stocks.

Despite these positive signs, Portugal is having to come to terms with the prospect of a more subdued performance for its equity market. In this context, investors, traders and regulators are questioning whether the highly-regulated model the country has adopted is best suited for a market that will tend to become more marginal as big company listings are concentrated in more developed centres.

Portugal introduced a "big bang" of operating and regulatory reforms in September 1991. The operational changes have been successful, leading to continuous trading in a national market, technological advances to facilitate dealing, and a computerised national stock registration house.

But many investors and dealers find the regulatory side, involving innumerable rules and articles, ranging from insider dealing and takeovers to share manipulation and disclosure, too bureaucratic for a small, emerging market. The red-tape costs of being listed can be among the biggest a smaller company faces.

The CMVM, whose job it is to apply the regulations, has been perceived by some operators as adopting too persecutory an approach. "Some com-

panies have grown reluctant to take initiatives, because they fear they may be breaking a regulation that they don't even know about," said the head of one investment house.

Fernando Costa Lima said, when he resigned as CMVM president in February, that the globalisation of financial markets required the simplification and harmonisation of regulations. But he also stressed that the application of rules inevitably met with resistance and, sometimes, open opposition from "vested interests, when they do not want the rule of law to prevail over the law of the market."

Alvaro Dâmaso, a former head of the Lisbon stock exchange and formerly regional finance minister of the Azores Islands under Portugal's ruling Social Democratic party, has been appointed by the government as the new CMVM president. He faces the challenges of both maintaining the watchdog's independence and encouraging all those involved in the market to work together to establish the most effective regulatory climate.

One proposal that may find acceptance is that for lightening the regulatory burden for smaller companies, while maintaining stricter rules for the top 40 or 50 listed companies. Proponents say such a measure would help eliminate the barrier of bureaucracy that deters many middle-range companies from using the stock market as the means to achieve their goals for expansion.

A delayed launch has inspired some atrocious puns about the future of Portugal's futures market. But after a postponement of the opening originally planned for January, trading in the country's first derivatives contract is now scheduled to begin in the northern city of Oporto in June.

The market will open with a contract on an equity index of 20 leading shares, to be known as the Portuguese Stock Index - the PSI-20. A contract based on 10-year Treasury Bonds (OTs) is also due to be introduced as soon as government listings gather sufficient momentum to create the critical mass. Options are to be made available in a second phase of development.

Given the relative thinness of financial trading - average daily turnover on the Lisbon stock exchange totals about £85m - questions have been raised over whether Portugal has the dimension to sustain its own derivatives market. Doubters ask whether contracts on Portuguese securities could not be successfully run from abroad by sophisticated futures markets already long-established.

More confident investors believe these misgivings will be swept aside when the Oporto market is up and running. "The potential for futures markets in countries such as Portugal tends to be underestimated. People ask who is going to invest and where the funds are going to flow from," says João Bendeiro, president of fund managers Gestifundo.

"But when the markets are actually in place, you usually see very substantial growth," he says. "That is what has happened in Barcelona and other markets, and I see no reason why Oporto shouldn't be the same."

The comparison with Barcelona is particularly relevant, because the Spanish futures market has always been viewed warily by the Portuguese as a potential aggrandiser of futures trading in Portugal. But Oporto has astutely opted for co-operation rather than competition.

Barcelon has signed a contract with Oporto to supply the computerised trading system for the Portuguese futures market, as well as technical support and training. Oporto officials acknowledge that this agreement effectively defuses any latent tension between the two markets and diminishes the temptation for Barcelona to seek its own business in Portugal.

The futures market is to be operated by the Oporto stock exchange, at its impressive 19th century Falcão da Bolsa building, which closed last June as part of a plan to have Portugal's spot trading in Lisbon and develop Oporto as a national derivatives market.

The two exchanges previously operated as separate floors for the national spot market. Rivalry between two bourses for Portugal's small market was considered unproductive, and Oporto agreed to accept £2.4bn (£16.3m) from Lisbon to abandon spot trading.

"The new products on this market will help financial institutions smooth out risk factors and increase liquidity," says Manuel Alves Monteiro, head of the Oporto stock exchange. "But the market must be transparent, rigorously overseen, and carefully managed." He says the PSI-20 comprises the 20 most representative shares of the Portuguese market, representing about 70 per cent of total market capitalisation and 75 per cent of total trading volume.

The delayed launch of the country's first derivatives market is now due in June

Barcelona is seen as the model for futures

It is to be calculated in real time, reflecting every price change in the underlying issues on Portugal's computer-based continuous share market, through the Oporto Stock Exchange Information System (Sibop). It will also be disseminated through the leading financial information services.

Portugal's top four listed banks dominate the PSI-20, with weightings ranging from 9 per cent to 15 per cent each. Other prominent shares in the index are the conglomerate Sonae Investimentos, the cork group Corticeira Amorim, and Marconi, a telecommunications operator.

"The PSI-20 aims to serve as a reliable benchmark for the Portuguese equity market, and to enable the introduction of derivatives based on a single indicator for the equity market," says Mr Alves Monteiro. "The size of the sample does not allow the index to include issues with inadequate levels of liquidity or market capitalisation. Thus it will better track market trends."

Investors consider a futures contract on long-term interest rates vital to the risk-management capacity they require from the Oporto market. Early plans were laid to launch the market with both an equity index and a contract on 10-year OTs. But the turmoil on bond markets in 1994 led the Portuguese government to dry up issues of long-term debt. Successive auctions were cancelled, and Oporto had to postpone the contract.

This year, the government has announced provisional plans to issue £20bn to £25bn of 10-year debt a month, as well as equal amounts of three-year and five-year debt. It is hoped the long-term issues will provide the market with sufficient liquidity for Oporto to issue a contract on 10-year OTs towards the end of 1995.


"Our futures contracts will make the Portuguese market more attractive to foreign investors who are used to dealing with these instruments elsewhere," says Paulo Sena Esteves, head of research at the Oporto stock exchange. "For domestic investors, it will provide a means of protection from risks against which they are currently almost defenceless."

The big players in the Oporto market are nevertheless expected to be international operators who already deal in over-the-counter derivatives in Portugal.

Peter Wise


We are solid and secure.


We never forget the needs of our customers.


We have a distinguished history of success.


And now, we are even more agile.

Portucel is now a more agile competitor in the international marketplace.

That's because we've recently completed a strategic reorganization. One which recognized the diverse activities within the group, creating ten distinct autonomous firms; each with its own aims, its own goals and its own competitors.

The strength of the group, however, remains. Portucel SGPS, the holding company, will preserve the direction and management of the group.

By diversifying the group in this way, while still maintaining a global corporate strategy, we believe we have created a more flexible and more responsible organization which is better equipped to deal with the challenges being presented by the new international marketplace.

We've become lighter to get further, faster.

 **PORTUCEL**
GRUPO DE EMPRESAS E INVESTIMENTOS

Evolution is part of our nature.

Rua Joaquim António de Aguiar, 3 - 1000 Lisboa - Portugal
Telephone: (01) 386 08 57 - Fax: (01) 386 00 16

PORTUCEL INDUSTRIAL • PORTUCEL FLORESTAL • PORTUCEL TÊXTIL • PORTUCEL VANA • PORTUCEL ENXALGEM • PORTUCEL RECICLA • GESCARTÃO • PORTUCEL INTERNACIONAL • TECNOCEL

WE DO NOT REST ON OUR LAURELS



We are a leading investment bank in Portugal.
We offer a comprehensive line of financial products to our domestic and international clients always guided by basic principles of quality and professionalism.

To be worthy of these awards we must continue to find better ways to service our clients.
We are grateful to all our clients who made these awards possible and profess our commitment to keep striving for excellence.

Banco Finantia

Rua General Firmiano Miguel, 5 - 1600 Lisbon - Portugal
Telephone: 351.1.720 20 00 - Telefax: 351.1.726 98 20

Rua São João de Brito, 605 - 4100 Oporto - Portugal
Telephone: 351.2.610 09 27 - Telefax: 351.2.610 09 25

PORTUGAL: FINANCE AND INVESTMENT 4

Privatisation: David White examines the ambitious programme

Telecom points the way

Twenty years ago, in a bout of radical fervour, Portugal took the first steps on the way to a sweeping series of nationalisations that brought in the state as shareholder in 1,022 companies, ranging from banks to breweries and bus companies.

The anniversary coincides with the preparation of plans for the first global equity issue in a privatisation programme under way since 1989. The sale of a 51m-plus minority stake in Portugal Telecom, the largest offering of its kind ever made in a Portuguese company and the first carried out to international standards, is designed to pave the way for further issues in other sectors.

A large part of the nationalisation list has already been transferred to private-sector ownership. According to the finance ministry, the weight of state companies in the country's gross domestic product has been halved from 20 per cent in the mid-1980s to 10 per cent.

Privatisations to date have brought in revenues of almost \$1,000bn or more than \$6bn. After slipping well behind

schedule, the programme came close to meeting its \$200bn target last year. With the Portugal Telecom operation this year's \$250bn financial target appears realistic. Much less realistic, according to bankers and brokers, is the prospect of placing more than a couple of issues on the market by the end of the year.

The sell-offs began with Unicef, one of the two brewery companies which were perhaps the oddest feature of the state's portfolio. This was followed by banks, insurance companies and other companies, including the partial sale of Petrol, the oil group, to a consortium led by Total of France. The aim is eventually to bring Portugal under 50 per cent private ownership.

Plans for the financial sector are virtually complete. The government's remaining 24.5 per cent stake in the country's second largest bank, Banco Português do Atlântico, is due

to be swallowed up in the joint bid for BPA launched by Banco Comercial Português and the Império insurance group. More than 13 per cent of Banco Totta e Açores, the first bank to be privatised, is still in government hands, but is likely to be offered to current minority shareholders following the purchase of a 50 per cent controlling interest by the private financier, Mr António Champalimaud - an operation which, in normal circumstances, would have involved a public bid for the rest of the shares.

The state will be left, as its residual interests in the banking sector, with the current number one bank, Caixa Geral de Depósitos, and majority control of Banco de Fomento e Exterior.

After its initial series of sales, the government realised it needed to attract more foreign investment into privatisation shares. It began looking at options for international issues in 1992, but in the following two years, with a series of changes in its economic team, the whole privatisation process slowed down. Last summer the most important placement to date, a 50 per cent share of Cimpor, the dominant cement group created by the merger of seven nationalised producers, was judged by international investment banks to be "less than a great success".

Foreign participation was smaller than intended. The \$400m issue, in the words of one banker, was "not well handled". A gap of two months was left between the fixing of the issue price and the flotation date. In the interim, the stock market weakened, with the result that Cimpor's shares fell back on the first day of trading. The subsequent performance of the stock below the issue price has jeopardised plans for an early second tranche.

In prospect for the first half of the year, apart from the telecommunications flotation, is the partial or total privatisation of divisions of the Portugal paper group, both through the market and to private buyers. The main pulp business, Portucel-Indústria, plans to place 40 per cent of its shares by June, including an international tranche split between London and New York. The cardboard and packaging side of the same group, Gescartão, is up for sale

to a single purchaser.

The Portugal Telecom issue is planned for May, but some bankers believe it could be delayed. Not until now has Portugal approached a privatisation in such a systematic way, complete with international "roadshow".

The operation is complicated by plans for merging Portugal Telecom at the same time with the 51 per cent state-controlled Companhia Portuguesa de Rádio Marconi. The issue is due to involve 25-30 per cent of the group for an estimated \$1bn-\$1.5bn. Seventy per cent of the total is to be offered abroad in three tranches, with Merrill Lynch, S.G. Warburg and Union Bank of Switzerland handling the New York, London and rest-of-the-world placements respectively.

The timetable for smaller issues will depend largely on how successful this operation is. The arrival of privatised utility and industrial shares promises to change the balance of the Portuguese equity market, currently dominated by banks. According to a recent Lehman Brothers report, the mix of companies "should become more representative of the mature underlying economy", helping Portugal's transition from an "emerging market" status to mainstream European investment portfolios.

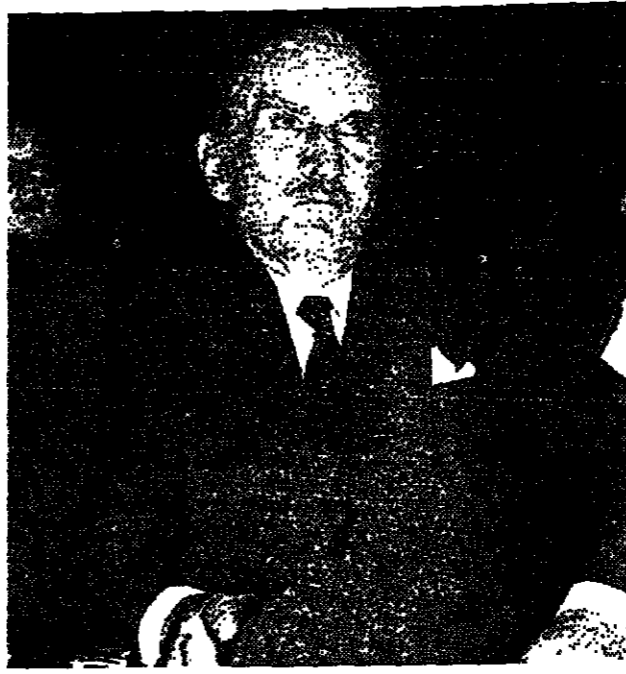
The Portuguese arm of Spain's Santander Investment merchant bank, Banco Santander de Negócios Portugal, recently placed an \$180m closed-end equity fund focussing on privatisation shares, the largest of its kind ever launched in Portugal.

However, the capacity of the market is limited. Bankers rule out prospects for partially privatising the power generating side of Electricidade de Portugal by the end of the year. The government's list of privatisation plans for 1995 extends to a total of 19 companies - including interests in steel, chemicals, shipbuilding and tobacco - but this would appear to be wishful thinking. General elections, due by the end of October at the latest, could well slow up the programme.

Privatisation itself is not at stake in the election. Mr Eduardo Ferro Rodrigues, an economics spokesman for the opposition Socialist party, says that, if it wins its way back into government, it will not overturn the plans. But he adds: "The timetable could have some changes."

Families who held power before the revolution are re-emerging

Back to build a third empire



António Champalimaud may again be the wealthiest citizen

Some people falling from a great height at the age of 57 would resign themselves to enforced early retirement. But whatever anybody thinks about Mr António Champalimaud, there is no denying that he is an obstinate man.

The most remarkable and least expected aspect of Portugal's cycle of nationalisation and privatisation is the prominence regained two decades later by some of the same families in whose hands economic power was concentrated before the 1974 revolution.

Mr Champalimaud was among thousands of Portuguese who fled from Portugal and its former African colonies to Brazil in 1975. Under the Salazar and Caetano regimes, he was one of a small and loyal group of powerful businessmen. With interests ranging from cement, steel, paper and engineering to insurance and banking, he was reckoned in one 1970 study to control as much as two-thirds of Portugal's installed industrial capacity.

In Brazil he rebuilt another empire based on cement and ranching. Today, at 77, he is once again considered, according to the Portuguese magazine *Fortuna*, to be the country's wealthiest citizen.

In two operations since November last year, he has regained a prominent position in Portuguese banking. Having already bought back control of his insurance company Mundial Confiança, he used it to mount a winning \$37.2bn (\$340m) bid for 50 per cent of the stock in the bank he controlled in the days of the dictatorship, Banco Pinto e Sotto Mayor. A relative of the founding Sotto Mayor family was in the losing consortium.

His subsequent purchase of just under 50 per cent in the number three bank, Banco Totta e Açores, not only consolidated his position but enabled him to play the role of saviour of national dignity, the man who brought Totta back into Portuguese hands from the Spanish. It was the ultimate comeback for someone once regarded as a robber-baron. As he himself remarked earlier, he had become "fashionable".

Of a handful of wealthy families that dominated business pre-1974, three stood out above the rest, with industrial and financial combines in both Portugal itself and its African territories.

The Espírito Santos, whose

empire ranged from banking to coffee, were the first of the big three to get back, gaining control of the Tranquilidade insurance company in 1980 and Banco Espírito Santo in two stages over the next two years.

Then there were the Mellos, former owners of the CUF industrial conglomerate. Mr José Manuel de Mello these days has his own investment bank, Banco Mello, and a big stake in the Lisnave ship-repair company, one of the family's former interests. He regained control of Império, the largest Portuguese insurer, in 1992. Império is now the junior partner alongside Banco Comercial Português (BCP) in a \$300bn bid for Banco Português do Atlântico. Brother Mr Jorge de Mello, meanwhile, going his own way, is a shareholder in BCP.

However, the Mellos' previous main banking interest is henceforth controlled by Mr

Champalimaud, a rival who was formerly married to a Mello. The saga of Banco Totta e Açores goes back to 1989, when it was the first bank put up to be privatised. The Spanish group Banco Español de Crédito (Banesto) built up a 50 per cent share, half directly through an arrangement with Portuguese associates, overstepping Portugal's restriction on foreign holdings. Banesto's effective control was made public by its then chairman, Mr Mário Conde, in 1993.

By the end of that year the Spanish authorities had swooped on the troubled Banesto and sacked Mr Conde. In April 1994, control of Banesto was auctioned off to Banco Santander. Already controlling the smaller Banco de Comércio e Indústria in Portugal, Santander was keen on maintaining Totta. But it changed its mind when it discovered the

strength of the Portuguese authorities' opposition.

Negotiations on disposal of its holding started in the autumn, against the background of strong official pressure for a rapid sale, tense talks between Portuguese and Spanish ministers and concerned noises from the European Commission about Portugal's imposing restrictions on holdings by a fellow EU nation.

Portuguese sensitivity about the ownership of a previously nationalised bank was aggravated by the apparently underhand manner in which control had been established. Mr João Salgueiro, president of the Portuguese Association of Banks, says: "It looked like the second act of a bad play."

Several groups showed interest - including Banco Mello in conjunction with BCP, and Banco Português de Investimento. However, it is understood that none came close to Santander's asking price except Mr Champalimaud. His offer of \$55,300 per share plus interest for payment in instalments up to 1997 amounted to \$1,533m, roughly equivalent to the stock market value of the whole bank.

Mr Champalimaud made the deal conditional on his gaining exemption from having to bid for the other 50 per cent, which he would normally be obliged to do. The finance ministry agreed to the waiver. The CMVM stock market commission disagreed, and its president, Mr Fernando Costa Lima, resigned with the rest of the board, complaining that the government was going "from one error to another".

The row has provoked different reactions, with some arguing that waiving shareholders' rights for the benefit of one individual is a poor precedent, others that this was preferable to letting the deal fall through. Mr José Alberto Tavares Moreira, chairman of the Stock Market Association, president of Caixa Central de Crédito Agrícola Mútuo and former governor of the Bank of Portugal, suggests the matter could have been handled better. But he says: "There was no way out."

The question many ask now is what Mr Champalimaud plans to do with his banking group. In times when the norm is for Portuguese banks to be headed by professional managers, the lone-wolf financier is the exception.

David White

Acorn Products

Our products are collections of your words, simple in appearance, but rich in content.

YOUR NATURAL OPTION

Have your FT hand delivered in Portugal.

Gain the edge over your competitors by having the Financial Times delivered to your home or office every working day.

Hand delivery services are available for all subscribers in the business centres of Lisbon, Oporto, the Algarve and in Funchal.

Please call (01) 80 82 84 for more information.

Financial Times. World Business Newspaper.

Have your FT hand delivered in Portugal.

Gain the edge over your competitors by having the Financial Times delivered to your home or office every working day.

Hand delivery services are available for all subscribers in the business centres of Lisbon, Oporto, the Algarve and in Funchal.

Please call (01) 80 82 84 for more information.

Financial Times. World Business Newspaper.

There was a time when Portugal discovered the world.

A Portuguese bank that spreads the voice of Portugal all over the world

Seventy-two years ago BPA became part of the institution and which changed the Portuguese Banking System in the context BPA absorbed itself as a national, autonomous and independent bank.

Based on a dynamic management strategy of its resources and the constant adaptation of market changes BPA was led to conquer a top position on both a national and international level.

BPA is today the core of the largest private financial group in the country, with the support of thousands of Portuguese shareholders. BPA is capable of providing Portugal and the Portuguese people in a world which 400 years ago was made universal when in a question of a great boat, we have "the entire earth" sailing around from the deep blue.

BANCO PORTUGUÊS DO ATLÂNTICO
Um rumo. Um futuro.

Now it's time to discover us.

PORTUGAL A LAND FOR YOU

Our strategic location, as well as the political and social stability of one of the European Union's fastest-growing economies, have clearly put us on the map.

That's why an increasing number of multinational companies are setting up business in our country. After all, investing in Portugal opens a gateway to a market of 270 million people.

For more information, contact ICEP. We'll help you find the right way to get there.

ICEP

Portugal

João M. 150

Peter Wise sees the banking sector reshaping itself

Rivalry spurs takeovers

Banks in Portugal are not quite throwing money at people. But they are happy to send a motorcycle messenger with a wad of crisp notes to your door at any time of the day or night.

The new telephone banks, whose services include the banking equivalent of pizza deliveries, are just one example of a climate of fierce competition that has gripped the sector over the past three years.

Rivalry has reached such a pitch in the fast-growing markets for consumer credit and housing loans that bank advertising campaigns appearing to offer the cash for acquiring heaven on earth - without blemishing the idyll with small print - are drawing strong condemnation from consumer associations.

A combination of several factors is fuelling the flames of competition. Nationalisations after the 1974 revolution placed almost 90 per cent of the financial sector under state control. But a privatisation programme begun in 1989 has since reduced state ownership to 38 per cent, and it will fall further as a few remaining sell-offs are completed.

The sector, now dominated by privately-owned banks intrinsically more inclined to compete, has also been freed of many regulatory restrictions, providing banks with the freedom to exercise more aggressive instincts. Three years ahead of a deadline set by the European Union, Portugal authorised free capital movement in December 1992 and fully liberalised bank interest rates two weeks later.

New foreign banks began cautiously moving on to the scene from 1985, and at a faster rate in recent years. They have tried to make up for what they lacked in branch networks and franchise with competitive products and forceful marketing, further inflaming competitive tendencies.

The most dramatic consequence of tougher competition has been a recent wave of pugnacious takeover bids of an unprecedented scale for Portugal. Three pending offers, together worth \$472.7bn (\$3.2bn), will, if successful, create three dominant banking groups controlling 65 per cent



Credit Lyonnais Portugal: possible target for acquisition?

of the total assets of a sector currently divided among relatively small banks.

Banco Comercial Português, the fifth largest bank, and Império, the biggest insurance company, are offering \$306bn for 100 per cent of Banco Português do Atlântico, the second largest bank. They will also bid \$31.6bn for control of Uniao de Bancos Portugueses - a small retail bank that is part of the BPA group - if they succeed in taking over the parent bank.

Antonio Champalimaud, a Portuguese industrialist, has agreed to pay \$513bn for the 50 per cent of Banco Totta e Acores, the third largest bank, which is currently held directly and indirectly by Banco Espanol de Credito, the troubled Spanish bank.

BCP control of BPA would create a group accounting for 23.3 per cent of the sector's total assets. Champalimaud would control 17.6 per cent if he added BTA to his assets. State-owned Caixa Geral de Depósitos would remain the biggest group with 24.5 per cent, but it is more focused on mortgage lending and savings deposits than retail banking.

"Consolidation of this kind was expected. Banks perceived that there were too many players contending for too small a market," says João Salgueiro, president of the Portuguese Banking Association and a former finance minister. "The process appears more striking now, because it involves the top banks, but it has been going on quietly for some time."

The state began consolidation by merging two small retail

banks, Banco Nacional Ultramarino and Banco Borges e Irmão with CGD and Banco de Fomento e Exterior, a trade bank, respectively. These two groups were to remain in state hands. But the privatisation of BFE has already begun, and the

looking back over his experience at the helm of the first bank to set up in Portugal after the country's 1974 revolution, Mr Carlos Rodrigues says he has been "sailing by sight" all the way.

The volatile 42-year-old president of what is now Banco Chemical (Portugal) was working at Manufacturers Hanover, in New York, when he was sent to its representative office in Lisbon in 1983. "I came for two years," he says. "And I am still here."

The only foreign banks with branches in Portugal at the time were those that were already there pre-1974: Lloyds, which later sold its network to Spain's Banco Bilbao Vizcaya, Credit Lyonnais and Banco do Brasil. There were no domestic banks outside the nationalised sector. "All the rates were the same. All the banks did the same things," Mr Rodrigues recalls.

His task was to seek a licence, as the Portuguese authorities began gradually to open up. Manufacturers Hanover, one of the biggest lenders to the Republic and large Portuguese state companies, was at the head of the queue when new legislation allowed for private initiative to be let into the banking and insurance sectors. The other banks approved were Chase Manhattan and Banco Português de Investimento, converted from an investment company into a bank.

"We opened in a rush in November 1984," says Mr Rodrigues. "We hit

BNU is also expected to be moved into the private sector.

Other acquisitions followed: BPA bought UBP; BCP took over Banco Cif, an investment bank; BTA acquired Crédito Predial Português, a mortgage bank; and Banco Português de Investimentos, the leading investment bank, purchased the retail bank Banco Fonsecas & Buryay. Most bankers believe the wave of mergers and acquisitions will roll on.

After consolidation among the big players, a further phase of absorbing smaller Portuguese banks and foreign subsidiaries into larger groups is expected. Banco Internacional do Povo, Banco Comércio e Indústria and Credit Lyonnais Portugal are considered to be among possible candidates for acquisition.

It is no coincidence that large takeovers bids have been launched as bank profitability

weakens. Overall earnings growth in 1994 was the lowest for a decade. BCP, for example, suffered a 17.1 per cent slide in net income to \$18.7bn, compared with \$22.5bn in 1993. It was the bank's first fall in profits after nine years of mercurial growth since it was founded in 1985.

As a result of recession, credit to the private sector was calculated to have grown by 10.3 per cent in 1994, down from 12.9 per cent in 1993. Non-performing loans are increasing as a proportion of total credit, and deposit growth has been slow for two years.

This year's outlook is only a little brighter. But as economic recovery takes hold, credit growth is forecast to make an important contribution to an expected resumption of strong profit growth in 1995.

The sector is reshaping itself, mainly because most banks have reached a stage where they can no longer significantly increase market share through organic growth and have shifted to expansion by acquisition. In addition, banks are moving beyond the traditional commercial battle for deposits. They see better opportunities for profit growth in creating

large groups that offer greater potential for improved productivity, cost-cutting, cross-selling of financial products and more effective use of information technology.

As well as banking, the takeover bids involve strategies for rationalising the insurance, brokerage, leasing, factoring, fund management and other specialist divisions of the big financial groups.

But streamlining will not be accomplished overnight. "Over the next two to three years, the large groups now forming will be faced with a great challenge of rationalising operations and

controlling costs," says Fernando Ulrich, of BPI.

"They are incurring very heavy financial burdens and will have to protect profitability until they prove successful in cost-cutting. Only then will they be able to become more aggressive in the marketplace."

In the banking sector, which has an estimated 15,000 to 20,000 workers more than it needs to work efficiently, cutting costs mainly means reducing workforces. This is likely to prove the most painful, complex and costly task in the realignment of forces now under way.

of the economy and facing shrinking margins, it decided to backtrack on its lending activity.

"We started getting scared about the quality of credit declining," Mr Rodrigues admits. Its total lending has been held at or below the levels of 1989-90. Instead the bank, renamed after Manufacturers Hanover and Chemical Bank merged in 1992, has concentrated on what Mr Rodrigues calls "a trading and funding function", seeking commission business, becoming a primary dealer in govern-

ment bonds and moving into derivatives.

Although affected, like the Portuguese banking industry as a whole, by a squeeze on earnings since last year, it has been the most profitable of foreign banks over most of the period since the sector was opened up. Other foreign banks have had mixed success, and their role has turned out to be more modest than some expected. But for Mr Rodrigues there is no doubt that it has been "an exciting time".

Three years after opening, it transformed itself into a subsidiary bank, placing shares in two stages that diluted the US parent's control to 67.7 per cent. The new status allowed it to take on business such as equity underwriting that it was unable to do at that time as a branch of a US bank.

The 1990s brought a fresh change of direction. The US bank discussed selling the Portuguese offshoot to the financier Mr José Mamele de Mello, but the negotiations fell through. Reviewing its potential market in 1991, worried about the overheating

of the economy and facing shrinking margins, it decided to backtrack on its lending activity.

"We started getting scared about the quality of credit declining," Mr Rodrigues admits. Its total lending has been held at or below the levels of 1989-90. Instead the bank, renamed after Manufacturers Hanover and Chemical Bank merged in 1992, has concentrated on what Mr Rodrigues calls "a trading and funding function", seeking commission business, becoming a primary dealer in govern-

David White profiles Banco Chemical

More than a bank - a return to market rules

the ground running." Eight hundred people turned up at the inaugural reception. "It was more than the opening of a bank. It was the return to normal market rules." The arrival of foreign banks meant, above all, a qualitative change.

The good relations which the bank enjoyed, not only with top Portuguese state companies and the government but also with corresponding Portuguese banks, proved paramount. When it launched the first syndicated deal in Portugal in 1986, it was able to bring in all the most important domestic banks.

ending at the time was subject to maximum interest rates and credit ceilings, which effectively meant that rates were always at the maximum. Manufacturers Hanover found its opportunity by introducing credits under an auction system, known as Cristal loans, offering borrowers better conditions by taking advantage of the differential between short and long-term lending rates. For about six years, it had a monop-

oly in this particularly niche.

It started with a dozen people, and now has 76, in its Lisbon building, in Oporto where it opened in 1986, and in a small office in the northern town of Guimarães. In the late 1980s, it was more ambitious about expanding its custom and set up three more business centres, but since then has re-oriented its activity. "One of the things that always terrified us was being made irrelevant, or being just one of a crowd doing the same things," Mr Rodrigues says.

Three years after opening, it transformed itself into a subsidiary bank, placing shares in two stages that diluted the US parent's control to 67.7 per cent. The new status allowed it to take on business such as equity underwriting that it was unable to do at that time as a branch of a US bank.

The 1990s brought a fresh change of direction. The US bank discussed selling the Portuguese offshoot to the financier Mr José Mamele de Mello, but the negotiations fell through. Reviewing its potential market in 1991, worried about the overheating



Carlos Rodrigues: 'we hit the ground running'

of the economy and facing shrinking margins, it decided to backtrack on its lending activity.

"We started getting scared about the quality of credit declining," Mr Rodrigues admits. Its total lending has been held at or below the levels of 1989-90. Instead the bank, renamed after Manufacturers Hanover and Chemical Bank merged in 1992, has concentrated on what Mr Rodrigues calls "a trading and funding function", seeking commission business, becoming a primary dealer in govern-

ment bonds and moving into derivatives.

Although affected, like the Portuguese banking industry as a whole, by a squeeze on earnings since last year, it has been the most profitable of foreign banks over most of the period since the sector was opened up. Other foreign banks have had mixed success, and their role has turned out to be more modest than some expected. But for Mr Rodrigues there is no doubt that it has been "an exciting time".

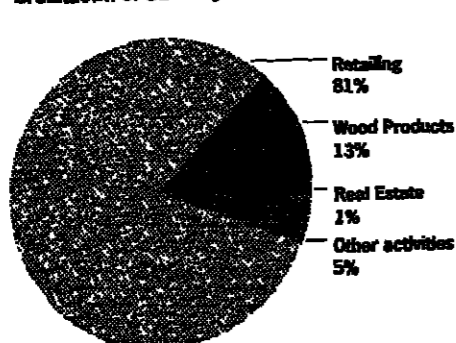


The core businesses of Sonae are wood based products, retailing and real estate.

In 1994, its position as Portugal's leading non-financial group was further consolidated.

The rapid expansion planned is based on organic growth of its core businesses and in increasing internationalization.

Breakdown of Sales by Sector



ACCELERATED GROWTH AND POWERFUL PROFIT PERFORMANCE

1994 CONSOLIDATED RESULTS

Thousand million escudos	1994	1993	variation
Turnover	263.9	227.6	+ 16%
Profit on ordinary activities	11.3	7.1	+ 60%
Profit before tax	16.5	10.6	+ 55%
Net Profit (exc. minority interests)	10.7	5.0	+116%
Return on shareholders funds	13.4	7.7%	-

The rate of expansion of the Group's business increased from 9 percent in 1993 to 16 percent in 1994. Consolidated turnover attained 263.9 thousand million escudos (£ 1,038 million).

For the second successive year, net profit attributable to the shareholders of Sonae Investimentos more than doubled, reaching 10,713 million escudos (£ 42 million), with the return on average shareholders funds improving from 7.7 percent in 1993 to 13.4 percent in 1994.

The main contributions to this improvement were:

- the large reduction in net interest payable, resulting primarily from the strengthening of the capital structure of the Group
- the near elimination of operating losses in the Wood Based Products sector
- the capital gains made on the sale of equity shares in two of the Real Estate project companies, and those made on the placement of some 17 percent of Sonae Industria's share capital with institutional investors and in the sale of 15.7 percent of the share capital of SIAF to Sumitomo Forestry Co. Ltd.

During 1995, growth in turnover is expected to increase strongly at a rate close to 30 percent and significant improvements in the operating profitability of most businesses should lead to a substantial increase in profit on ordinary activities.

Sonae Investimentos, S.G.P.S., S.A.
Lugar do Espido, Via Norte, Apartado 11 4471 MAIA Codex - PORTUGAL

In a country where liquid assets are known for maturing slowly, what would you expect from a bank that started only eight years ago?



Our assets are some \$11 billion.

And our capital is nearly \$1,000 million. Despite the fact we've only been up and running since mid-86, we have enormous respect for the past.

To a man our senior management team have impressive banking credentials. They all know the value of experience.

But their main focus is on the future. And on youth.

The average age in the bank is 30. Nearly a quarter of our staff are graduates.

It's part of a unique corporate culture that has made us the fastest growing financial services group in Portugal. Made us one of the largest Portuguese commercial banks in terms of net income and shareholders' equity. And put us 'amongst Europe's Top 50 banks in terms of market valuation'.

More importantly, it's part of a long term strategy, by which we're determined not to maintain the position we've achieved in eight short years, but to improve on it.

We'll continue our programme of carefully planned market segmentation. We'll continue to maintain our commitment to quality service. And we'll continue to provide safe, stable growth by expanding our branch network and our client base.

Bank on our success.



Banco Comercial Português

*Shareholders' equity plus minority interests.

PORTUGAL: FINANCE AND INVESTMENT 6

Madeira and Santa Maria: the stature of offshore centres is increasing

Trade winds stir the islands

Set in the Atlantic 600km off Casablanca on the Moroccan coast, Madeira has been renowned as a semi-tropical resort since the British aristocracy began spending their winters on the Portuguese island in the 18th century.

Searfers such as Captain James Cook anchored in Funchal, the capital, to stock up with Madeira wine - 200 bottles a man - on their voyages of discovery.

Tourism remains the economic mainstay of Madeira, a region of 250,000 people, where GDP per capita is less than half the European Union average. But today the island's income is being increasingly supplemented by the success an offshore centre that has earned a respected international status in less than a decade.

Madeira's International Business Center (IBC) consists of a free-trade industrial zone, an offshore financial centre, an international services hub and an international shipping register. All benefit from considerable tax, duty and exchange-control advantages, including total exemption from taxes on profits and capital gains until the end of 2001. The services centre, the most successful sphere, has attracted more than 1,300 companies.

Membership of the EU is one of Madeira's most important assets, providing both regulatory guarantees and integration with the European market, including free circulation of goods and services and right of establishment. Companies setting up in Madeira, an integral part of Portugal, are

governed by the same corporate law and central bank regulations as their counterparts on the mainland, and consequently enjoy the same guarantees of legal credibility and economic soundness.

"Madeira has invested strongly in ensuring respectability. From the start, it opted for a strategy of caution, prudence and selectivity in developing the offshore centre," says Carlos Loureiro, a Lisbon-based partner with Arthur Anderson. "This may have scared off a few companies, but it is an option that will pay in the long run."

Offshore service and financial companies setting up in Madeira are governed by the same corporate law and central bank regulations as on the mainland, and consequently enjoy the same guarantees of legal credibility and economic soundness

Companies can set up anywhere on the island. Benefits for service enterprises entitle firms to full exemption from withholding and income taxes on dividends, interest on shareholders' loans and on any other type of income from companies participating in the initial capital of a service enterprise.

Foreign companies operating in the IBC are free from all restrictions on the transfer of profits and capital invested, on the transfer of funds connected with trade and

on the importation of funds. Last August, the Portuguese government enacted legislation enabling offshore companies in Madeira, in areas such as trading, holding, management, consultancy, and the rendering of services, to be formed with a single shareholder.

The application of Portuguese law and the EU parent subsidiaries directive means that holding companies setting up in the IBC can receive dividends from EU companies without being subject to withholding tax in the country of origin, while paying corporate tax of only 1.8 per cent. However, some analysts expect this provision to come under increasing scrutiny from other EU member states.

In contrast to practice in most offshore centres, companies based in Madeira are not excluded from Portugal's double-taxation treaties. Companies can use these to reduce withholding taxes on royalties, interest and dividends. This makes the IBC an attractive niche for firms investing in those countries that have agreements with Portugal. Brazil, for example, has high withholding taxes and only two tax treaties, with Japan and Portugal.

But this is another area where Madeira's advantages are likely to diminish rather than increase. A bilateral tax treaty recently signed with the US, which is not expected to come into force before 1996, specifically excludes the offshore centre in Madeira. Denmark has revoked its treaty with Portugal, partly because of the off-



The container docks at Funchal, Madeira

Mike Aron

shore advantages available in Madeira.

Portugal's double taxation treaties currently include Austria, Belgium, Brazil, Finland, France, Italy, Luxembourg, Norway, Spain, Switzerland, the UK and Germany. However, some tax specialists expect operations in the IBC to be excluded from new bilateral tax treaties, and that countries that have already established treaties with Portugal may also, over the long term, seek renegotiations that exclude Madeira.

Another Portuguese island, Santa Maria in the mid-Atlantic Azores archipelago, benefits from offshore legislation that is identical to that of Madeira. The European

Commission granted the same offshore status to the two regions at the same time, as an incentive to help compensate for their remoteness and lack of development.

Madeira has thrived as an offshore centre, particularly in the services area, but Santa Maria remains little known to the international business community. Five institutions are operating offshore financial enterprises in the Azores - they are allowed to set up anywhere on the nine islands. But so far no companies have set up in the 400,000sq m free-trade industrial zone in Santa Maria, although some projects are in the pipeline. The Azores has no international shipping register.

Santa Maria was chosen as the base for the free zone mainly because of the availability of surplus manpower and suitable infrastructure, particularly the island's large airport, once an important transatlantic refueling point. Large investments have been made to upgrade the airport, a port has been built and telecommunications modernised, but companies have so far shown little inclination to invest.

What appears to have left Santa Maria so far behind Madeira is a lack of promotion. A private company that was granted a concession to run the centre was wound up last year. The operation has been taken over by the Azores Institute for Investment and Privatisation, a department of the regional government. It aims to breathe new life into the project, and may subsequently grant another concession for private management.

Meanwhile, the Madeira Development Company (SDM), a private-sector company that runs the IBC, has been negotiating in Brussels and Lisbon and travelling the world for several years, promoting Madeira in the face of competition from other locations in the EU offering special tax privileges, such as Ireland, Luxembourg, the Netherlands and Belgium, as well as centres not fully integrated into the EU, such as the Channel Islands and Gibraltar.

"Despite uncertainties and numerous difficulties raised in their path, the people at SDM have succeeded in a few years in establishing Madeira as a recognised international offshore centre," says Mr Loureiro. The legislative battles they have won will also benefit the Azores. It now rests with Santa Maria to take up the challenge of promotion.

Peter Wise

More than a decade before the first bytes began to roll along the information superhighway, banks in Portugal opted to share the infrastructure of a national electronic payments network, rather than develop competing systems as financial institutions in most other countries have done.

As a result, Portugal enjoys one of the most advanced "plastic money" systems in Europe. From any of 3,500 hole-in-the-wall automatic teller machines (ATMs), holders of cards issued by any bank can access up to 36 services, from booking train tickets and settling utility bills, to trading with investment portfolios and paying the taxman.

This network has provided the framework for what officials believe to be the most advanced, and only globally-compatible, "electronic purse" system in the world.

An electronic purse is a plastic bank card embedded with a computer chip, which replaces

the need for cash for making small payments, anywhere from a taxi cab to a flower stall, without requiring a link to a central computer network. Portugal leads the field in electronic payments, partly because, as a late starter in 1983, it could benefit from the experience of other countries. Banks elsewhere had chosen relatively self-contained systems that make available a variety of operations at their own ATMs, but little more than cash withdrawal at ATMs belonging to other banks.

Portuguese banks resolved to pool resources and produce an electronic payments highway that would make all the services of any bank available at any ATM. They created a company called Sociedade Interbancária de Serviços (SIBS), today owned by 31 banks, to provide a shared information network and centralised clearing system.

Individual banks market their own debit, credit and electronic purse cards, as well

as ATMs and electronic point-of-sale (Epos) terminals. But they share a common infrastructure. The system is aptly named Multibanco. "We provide a public highway for all electronic payments to travel along and individual banks decide what particular services they want to circulate on it," says Filipe Santos of SIBS.

But the technical prowess that Portugal has shown in developing the network has been matched by the ineptitude that banks have displayed in marketing it. This became clear when consumer associations organised a 24-hour boycott of bank cards in March 1994, because banks had wrongly created the impression that a 1 per cent charge to consumers was to be

made for purchases made with debit cards.

The damage has been incalculable. Banks not only suffered in terms of public relations, but the government promptly suspended all debit card commissions. Banks were allowed to reintroduce debit card commissions in January 1995, at a maximum level of 0.5%, or 0.35 per cent of the purchase, whichever is the smaller. Commissions are due to be fully liberalised, as in most European countries, by mid-1996. No limits are placed on credit cards commissions.

"The banks could not have handled it worse," said a Lisbon consultant. "They did exactly the opposite of what was recommended." Debit-card purchases had not previously

been free from commissions, as consumers came to believe. Charges to retailers had ranged from 0.5 per cent for hypermarkets to 3 per cent for small shops. All that was being phased out last March were incentives under which some banks had been waiving commissions.

Banks are trying to get it right for the introduction of the electronic purse, where commissions are expected to range from 1 to 2 per cent. "If a service is worth acquiring, it's worth paying for," says Mr Santos.

Electronic payment systems may save banks money, but they nevertheless involve costs. They also provide

retailers with considerable benefits, not least the guarantee of payment in a country where 10,000 cheques bounce daily.

Portugal's innovation is not in developing the individual components of the Multibanco Electronic Purse (MEP), but in applying the technology in a national system of electronic payment that integrates "smart card" purses with the existing network for direct debit and credit cards.

Small retailers, from newspaper kiosks to coffee bars, are equipping themselves with portable terminals about the size and weight of a telephone handset for accepting payments made with MEP cards. Public telephones as well as automatic vending and ticket-

issuing machines are being adapted, so that the system can be used for an almost unlimited range of automated payments, from car washes to public transport and postage stamps.

Most of Portugal's 35,000 Epos terminals, already used by bigger outlets for debit and credit card payments, are to be converted or replaced to accept electronic purse payments as well. MEP cards can be recharged indefinitely - currently up to a maximum of Es40,000 (\$270) - from the holder's bank account through any ATM.

Service providers, when their terminals are not linked to the central computer network, transfer takings to their accounts through the ATM system using high-security deposit cards. More than 500,000 MEP payment cards are expected to be issued this year, following the launch of the system last month.

Smart cards equipped with a microprocessor are not new.

France, pioneer of the technology that provides greater power for storing and handling information than the magnetic-strip cards issued in most countries, has 31m in use. But France uses them mainly for traditional direct debit and credit card payments, and only as electronic purses in small, closed systems such as local transport networks.

Finland and Denmark have also recently introduced electronic purse cards. But all these purse systems use disposable cards that simply "burn" units as purchases are made. Like telephone cards, they have to be thrown away and replaced when their total value has been spent. Portugal is the first country to introduce an electronic purse that is both global - a card issued by any bank can be used to pay for any service anywhere - and permanently rechargeable.

Peter Wise

Living Energy

Petrol is the most important company in Portugal, with a turnover of US\$ 3.8 billion, and has the only refining operation in the country. Petrol's two refineries, located at Sines and Oporto, have a joint distillation capacity of 288,000 bbl/day. Petrol produces and distributes, under the Galp brand name, petrol, gas oil, fuel oil, tpg, lubricants, chemicals, jet fuels and asphalts. Petrol is expanding its activity through a network of more than 1,300 service stations in Spain and Portugal.

Petrol.
A Living Energy in Portugal.
Petróleos de Portugal,
Petrol, s.a.
Rua das Flores, 7
1200 Lisboa - Portugal

Head Office: Av. da Liberdade 195, 1200 Lisboa, Portugal. Telephone: 315 83 31. Fax: 37 49 24. Member of SEA.

MADRID · FRANKFURT · NEW YORK · LONDON · MILAN · PARIS · LUANDA · NASSAU · MADEIRA · LAUSANNE · JOHANNESBURG · CARACAS

PORTUGAL: FINANCE AND INVESTMENT 7

Life has returned to the historic Chiado shopping district of central Lisbon, seven years after fire destroyed 18 prized buildings.

Early spring flowers are blossoming in white-walled courtyards, and couples are courting at pavement cafes as reconstruction in the quarter's original 18th-century style nears completion.

The new Chiado, being born out of the ruins under the direction of Alvaro Siza Vieira, Portugal's most distinguished architect, promises more style and vivacity than the neighbourhood of dowdy department stores and Dickensian offices that the blaze swept away.

Since the fire, in 1988, Portugal has been swept up in a retailing revolution. Italian fashion houses, US fast-food outlets and leading international stores are paying top rents for sites in the Chiado previously occupied by straight-laced gentlemen's outfitters and dusty public notaries.

Retail space is at a premium as economic growth and Portugal's integration into the European Union attract the global chains to a market they had long neglected.

Rents for prime retail sites in Lisbon have reached a record £18,000 (£122) a square metre a month, almost five times higher than in the more

depressed office market.

The Chiado reconstruction is due to be completed by the end of this year, with the exception of the biggest site, the former Armazéns de Chiado department store, where work has been delayed by legal wrangles. But the district's revival will relieve only a little of the strong pressure for retail sites in the capital.

Even property developers acknowledge that Lisbon's decision that the new Chiado should consist of 30 per cent office space, 30 per cent retail and 40 per cent residential will breathe new life into the district. Almost no one had lived in what became a deserted shell as soon as shops and offices closed. The new balance will benefit the city. But it is not the best commercial option from the property owner's point of view.

Retail sites are limited to basement and ground level, providing little opportunity for the big department stores that central Lisbon lacks. The division between shops and, on the upper floors, offices and flats will almost certainly lead to multiple ownership. This could deter investment by big institutions, which would prefer to acquire large complexes to manage and maintain on a long-term basis.

Mr Siza Vieira's plans for resurrecting the Chiado include installing a hotel in



The capital's retail property sector is flourishing, but office space is suffering the effects of oversupply

Real estate: shopping space is at a premium in Lisbon, writes Peter Wise

The global retailers arrive

part of the Armazéns de Chiado site. A hotel will create activity and jobs. But it will also mean a considerable commercial loss for the owners of the development.

"The difference in forecast returns for the site, with and without a hotel, is enormous," says a Lisbon property agent.

Negotiations are currently under way with city authorities on the possibility of waiving or reducing the hotel requirement.

In addition to the Chiado, three other important developments will help to supply the demand for retail sites over the next few years. The Columbus

Centre, a mixed development in the Benfica suburb of Lisbon, will place 133,000sqm of shopping space on the market, strengthening its claim to be one of the biggest shopping centres in Europe.

El Corte Ingles, the Spanish department store, is to take up a 30,000sqm anchor store in a

development to be built alongside Lisbon's Eduardo VII park. An additional 20,000sqm will be made available for smaller shops. In the town of Oeiras, a few miles west of Lisbon, a 40,000sqm shopping centre, with its own important catchment area, is due to be ready in 1996.

In contrast to the booming retail sector, the market for office space is suffering the effects of oversupply. "Prime business district rents have fallen from £7,000 a square metre a month in 1991 to around £3,750," says Eric van Leuven, managing director in Portugal of Healey & Baker. They are currently at about the same level as rents in Amsterdam and Brussels.

The market is oversupplied, despite a strong take-up rate, mainly because of the lag between investment and finished buildings appearing on the market after the boom years of the late 1980s and early 1990s, when economic growth and foreign corporate moves into Portugal encouraged developers to invest heavily.

Mr van Leuven calculates that developers are sitting on undeveloped sites in the greater Lisbon area representing 700,000sqm of unbuilt office space. They were acquired during the boom at prices that would make them unprofitable to develop and market at today's much lower rents. "They are waiting in the hope of selling when the tide turns," he says.

Office development could begin to pick up again in 1996. Lisbon currently has about 40,000sqm of vacant new office space. A further 50,000sqm is expected to come on to the

market in 1996. The take-up rate was 80,000sqm in both 1993 and 1994, and is expected to remain stable in 1995. This means that supply and demand are likely to be more evenly balanced by next year. Rents will rise, and developers are expected to begin investing in new projects.

Demand for new office space comes mainly from companies moving out of dilapidated, inefficient buildings into more modern developments, as the gap between old and new rents diminishes.

Companies who rented at the height of the boom are also moving. They may now be paying £8,000 a square metre, after indexed increases, compared with current market rates of £3,500 to £3,750.

An important factor in stimulating Portugal's underdeveloped investment market would be the approval of a new commercial lease law. The current law provides tenants with perpetual security of tenure without market-based rent reviews. A promised new law will provide for fixed-term contracts and renegotiation at market rates. But after being delayed by government pledges of its imminent approval since 1987, potential investors are not holding their breath.

Ponte Vasco de Gama is the name that prime minister Aníbal Cavaco Silva has suggested for the new Lisbon bridge, whose 12km span over the Tagus river is due to be completed in 1998, the 500th anniversary of the navigator's discovery of the sea route to India around the Cape of Good Hope.

More facelift figures have proposed the Bridge of Signs as a fitting title for the Es180bn (£1.2bn) project, Europe's longest continuous fixed river-crossing, which has provoked successive waves of controversy before a single pylon has been sunk in the river bed.

João Ferreira do Amaral, minister for public works, transport and telecommunications, will certainly breathe a sigh of relief if the privately-operated toll bridge opens as scheduled by March 31, 1998, in time for Expo '98, the internal exposition on the theme of the oceans, to be held in Lisbon.

The difficulties the government is encountering over the

new bridge highlight the risks and complexities of project finance for a country that has much to gain from the financing and operation of infrastructure by the private sector, but has little practical experience in applying the concept.

Problems began with environmentalists' protests over the decision to build the crossing from Sacavém on the eastern outskirts of Lisbon to Montijo on the southern bank, allegedly threatening wildlife habitats.

The award of the build-and-operate contract to a consortium led by Trafalgar House of the UK - Lusoponte - later led to complaints of unfairness from the losing consortium headed by the French construction company Bouygues. But no formal appeal was lodged.

Next came a commuter blockade of Lisbon's existing bridge, Ponte 25 de Abril, which is also to be operated by Lusoponte from 1996. Protesters objected to a 50 per cent toll increase, which was

One troubled scheme illustrates the complexities of project finance

A conceptual gap to be bridged

related to the financing of the new crossing. The government was forced to give ground on toll increases, obliging it to allocate an additional Es18bn of public funds to the new bridge.

Finally, President Mário Soares made a surprise call in February, when construction was due to begin, for the whole project to be suspended to reconsider the siting of the six-lane crossing. Many specialists considered the choice of site the "error of the century". Mr Soares said, in what the government interpreted as more of a political attack than environmental concern.

In theory at least, the Portuguese economy is ideally suited for project finance. The country lacks many important

infrastructures compared with more developed neighbours. But it also has to exercise tight budgetary restraint to meet the convergence criteria for European monetary union.

Placing projects in the private sector, where the cash flow from the operation of the enterprise - whether it be a power station, a toll bridge, a railway line or even a hospital - is used to pay back the loans contracted to finance its construction, appears to make more sense than paying for them out of limited public funds.

However, the concept is not so easy to apply in practice. The commuter revolt over the toll increase, obliging the government to pump more state money into the new bridge,

struck at one of the fundamental principles of project finance - that the consumer directly benefiting from the project pays, rather than the general taxpayer.

Commuters in Oporto, where no bridge tolls are charged, may resent contributing to the financing of a bridge in Lisbon that they will not often use. But the user-pays principle of project finance only works if tariffs are acceptable to the consumer. The high level of state funding for public transport systems in Portugal makes the change from subsidised to commercially-viable fares painful.

Fear of politically unpopular fares appears to be one of the reasons why the government

has reversed a decision to grant a concession for a privately-financed Es100bn project to build and operate a railway link under the Ponte 25 de Abril. The service is now to be financed and run on traditional terms by the state.

Portugal has had more success with project finance in the energy sector, where consumer tariffs are largely controlled by the state. In December 1993, Electricidade de Portugal, the state power utility, sold two 300MW coal-fired units at Pego, 130km north-east of Lisbon, to Tejo Energia, a group led by National Power of the UK, for Es155bn.

The first unit began production in March 1993; the second is due to start in October 1995. Two further 300MW units are

expected to be added to the plant, and Tejo Energia has an option on their purchase.

In February this year, a consortium led by Powergen of the UK began construction of Portugal's first natural gas-fired power plant, at Tapada do Outuro, near Oporto. The Es100bn build, operate and transfer project is to be mainly financed by a syndicate of Portuguese and international banks, including the European Investment Bank.

Siemens of Germany is to supply the combined-cycle 900MW station with three single-shaft gas turbines, due to come on line in March and September 1998 and May 1999.

Turbogas has signed a 25-year power purchase agreement with EDF and a turnkey construction contract with a consortium led by Siemens, Powergen and ELC, a small Portuguese partner, will run the plant under an operation and maintenance contract.

Petrogal, the state-controlled oil company, is promoting a

Es35bn, off-balance-sheet investment in a new fuel pipeline and storage facilities for the Lisbon region, its main sales area. It has set up a company, CLC-Companhia Logística de Combustíveis, with equity capital of Es600m, to carry out the project.

A 170km multipurpose pipeline is to be constructed from Petrogal's main refinery at Sines, in southern Portugal, to a new storage depot to be built at Aveiras, outside Lisbon. A second, 36km pipeline will be built from the depot to carry jet fuel to Lisbon airport.

Petrogal is opening the capital of CLC to other oil companies which are signing long-term service contracts for use of the new facilities. Cash flow from the contracts will finance the investment. Two consortiums, led by Bechtel of the US and Monoco-Agra of Canada, are the main contenders for Es14bn contract to construct the pipeline.

Peter Wise

MADEIRA - A CLIMATE FOR BUSINESS



Madeira. The European Community's newest international business centre. Only 3 hours away from most European capitals and just over 1 hour from Lisbon. Madeira is strategically placed on most Atlantic shipping routes, unmatched as an offshore centre in the European Community.

Free Trade Zone

All industrial and commercial activities are permitted within the free trade zone, subject to the preservation of the natural environment and to the rules of public health and national security.

Offshore Financial Centre

Banks and financial institutions may establish offshore operations anywhere in Madeira, free from domestic restrictions. Transactions may be carried out in any currency, with supervision from the Central Bank of Portugal.

International Services

International service companies such as trading, holding, management and trusts will be able to conduct and plan international investments through Madeira thus benefiting from all the fiscal incentives available.

International Shipping Register

MAR, Madeira's International Shipping Register offers the global shipping industry some of the most favourable and competitive conditions available today. All vessels registered will fly the Portuguese flag. A wide range of tax and financial incentives are also available to investors, making the package even more irresistible.

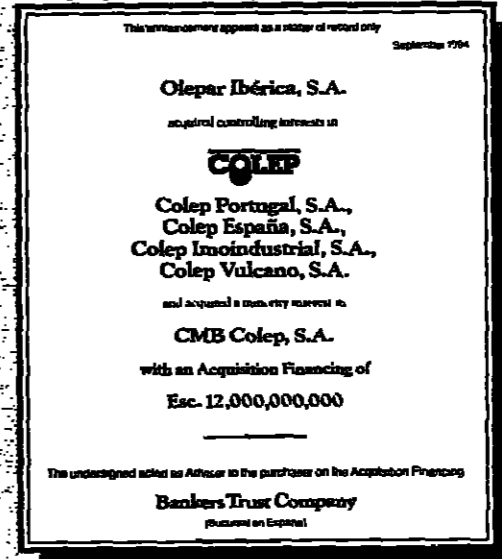
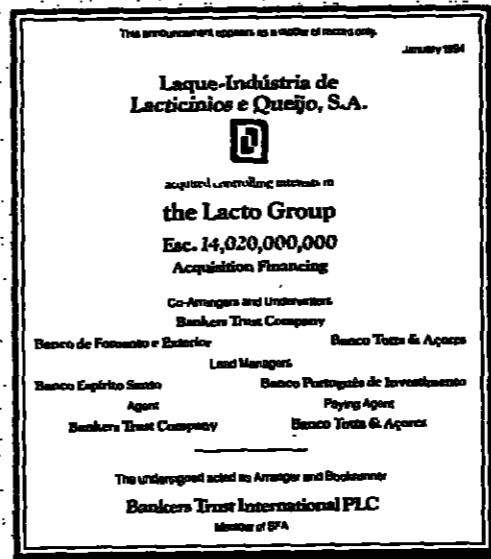
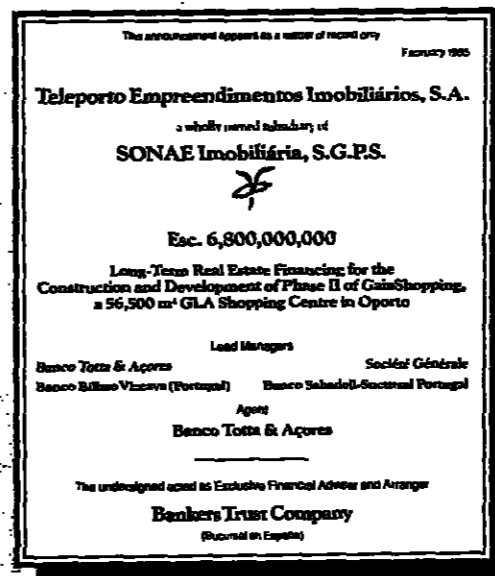
Madeira.

Your high-yield investment in the future.

SDM - Madeira Development Company
R. Imperatriz D. Amélia
P.O. Box 4164 - 9052 Funchal Codex
Madeira - Portugal
Tel: (351 91) 225466 Fax: (351 91) 228950



Established Expertise in Portuguese Corporate Finance



For further information and advice on how we can help you in Portugal, please contact:

David Fitterman, Managing Director
Bankers Trust Company
Paseo de la Castellana, 31, 28046, Madrid, Spain
Tel: 010 341 538 7500

Bankers Trust Company

Member of BFA

PORTUGAL: FINANCE AND INVESTMENT 8

Ten villages, beset by neglect and decay but rich in history, are receiving investment aimed at attracting visitors. Peter Wise discusses tourism's growing importance

More to offer than sun and sea

Idanha-a-Velha, a village of rough granite houses in the remote highlands of the central Portugal, has few conspicuous attractions as a potential hub of tourism. The young have left for jobs in Lisbon or nearby Spain, leaving behind only shuttered, abandoned homes and an ageing population of 84 people. Use of the ancient chapel of São Dámaso as a hay barn embodies the prevailing spirit of neglect.

But Portugal is investing \$34m to revive Idanha-a-Velha and nine other declining communities in the region as select tourist centres. The goal is both to stem the flow of young people away from the rural interior by creating satisfying jobs, and to help diversify a tourism industry that is over-dependent on mass bookings for the hotels, villas and apartments of the Algarve coast in the south.

Beset by neglect and decay today, the 10 villages have a rich history as hilltop strongholds against invading forces from Spain, from the Romans and the Visigoths to the Moors



Afternoon tea at Field's Hotel. Madeira accounts for 14 per cent of Portugal's tourism earnings

Alison Maltby

and the armies of Napoleon. Idanha-a-Velha, once a thriving Roman town known as Civitas Igaeditanorum, has notable Roman walls and a tower, a 5th century bishop's palace, windows and doors in the ornate Manueline style of the

Portuguese Renaissance and a 12th century cathedral to be restored.

"Few places in Portugal so directly and emotionally evoke the history of our country as these villages. Their heritage endows them with the qualities to become appealing tourist destinations," says Alexandre Relvas, secretary of state for tourism. "Life for the villagers is a struggle today. But by supporting tourism as a new source of jobs and income, we will improve living standards and provide young people with appealing alternatives from moving away."

Investment in these villages of the central region of the Beiras, a forested plateau that borders Spain, will be channelled into restoring monuments, improving infrastructure, including water supply and sewage systems, and providing tourist accommodation, from inns to farmhouses. This will be aimed at relatively prosperous European visitors with a taste for history and country cooking, who are happy to escape the madding crowd.

Reviving historic villages is one aspect of a broader policy to diversify and enlarge the potential of Portugal's tourism industry. Although one of the country's most important eco-

nomic sectors, tourism is over-dependent on too few products, too few destinations and too few markets. Half of the country's hotel beds are in the Algarve, whose beaches attract 50 per cent of all the tourists who visit Portugal and accounts for half of the sector's total earnings.

Other important Portuguese destinations are the Lisbon region, including Cascais, Estoril, Sintra and the Setúbal peninsula, which accounts for 20 per cent of tourism earnings, and the semi-tropical island of Madeira, which accounts for 14 per cent. Mr Relvas believes Portugal can consolidate and increase earnings from these areas and at the same attract tourists to new, relatively unknown destinations across the country.

This aim is the origin of Portugal's main advertising slogan for a new tourism campaign: *The Thrill of Discovery*. Portugal, the world's 13th largest tourist destination, is among the 10 countries that spend most on promotion. The government has also been consulting the London-based International Federation of Tourism Operators on policy, to help ensure the industry's support for the country's growth and diversification objectives.

Lesser known areas that Por-

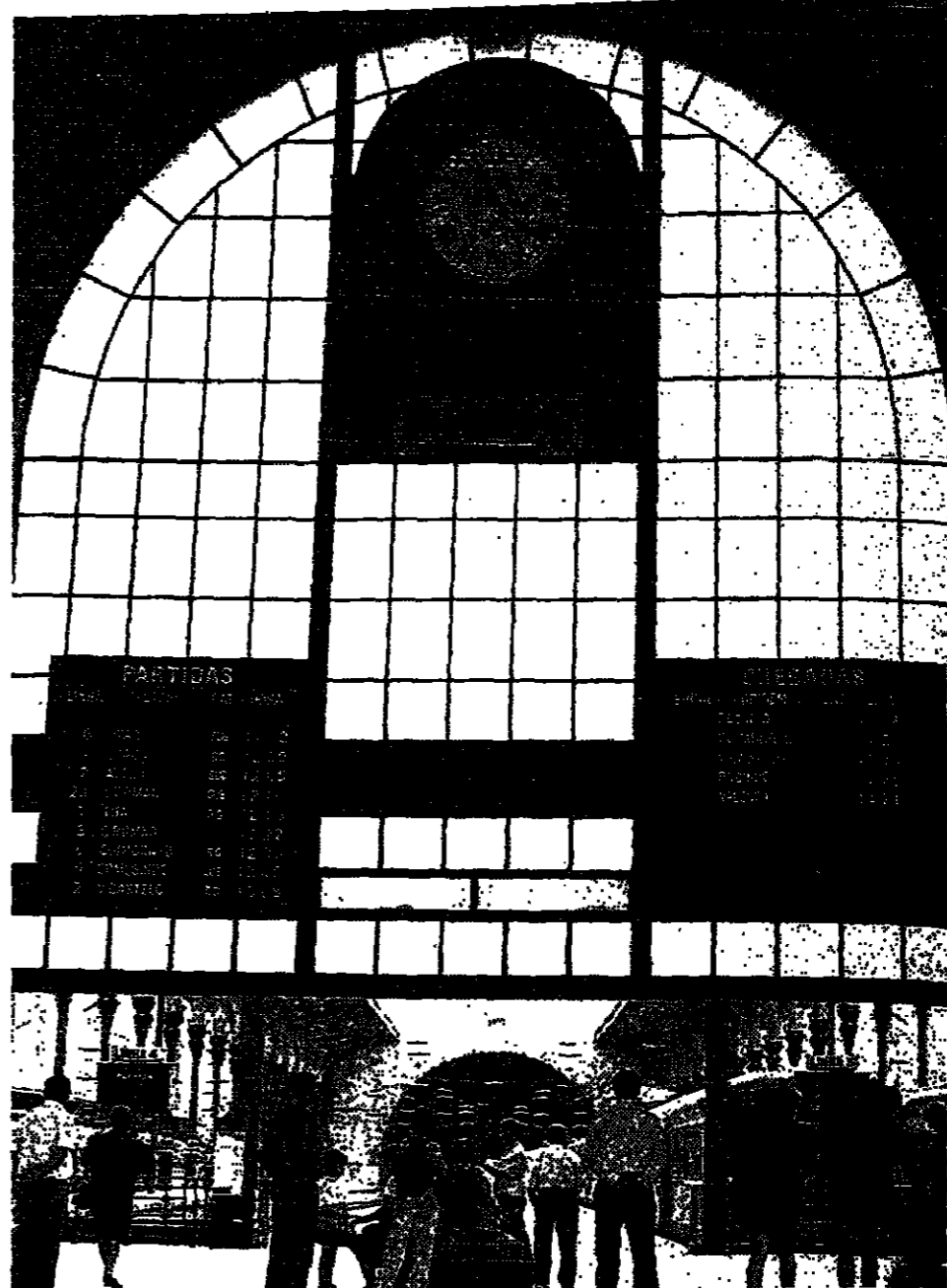
tugal is promoting include the Douro valley, which is renowned for the production of Port wine but whose vineyards, manor houses and river-side terraces have been under-exploited as tourist attractions - despite the holidays spent there by John Major, the British prime minister. The picturesque Tua railway, running along the Douro valley from the north-eastern hills to the city of Oporto, could be another colourful draw.

Portugal is investing in other alternatives to the "sun and sea" holidays that have led to overcrowding and over-development in some areas of the Algarve. They include archaeological sites in the Alentejo region in the south, the *vinho verde*-growing region of the north-west, the chain of state-owned inns known as *pousadas*; itineraries tracing themes such as Jewish history, Prince Henry the Navigator and wine-making; and religious sanctuaries such as the Roman Catholic shrine of Fátima.

Sun is an abundant commodity in Portugal. But despite warm autumns and mild winters, 50 per cent of income from tourism is earned between July and September. The industry is now investing in tourism focused on golf and other sports, culture, congresses and religious sites to help build business outside the summer high season.

Tourism is as central to the Portuguese economy as the textile industry, the financial sector or construction. It accounts for 8 per cent of gross domestic product and employs 300,000 people - 6 per cent of the active population. Last year, a record 9.2m tourists visited Portugal, an increase of 9 per cent on 1993, as recovery took hold in Europe. Earnings rose less, between 3 and 4 per cent, to \$700bn, because operators held prices down to help stimulate the pickup.

Income from tourism nevertheless accounts for 25 per cent of total export earnings and covers 50 per cent of the trade deficit for tangible goods. The government is confident earnings can grow at an annual



From the city of Oporto, a picturesque railway journey along the Douro valley, to the north-eastern hills, could prove to be a colourful attraction to visitors

Lynne van der Meer

rate of 3.5 per cent until the end of the century. Beyond attracting more tourists, Portugal aims to increase the average daily spending of visitors, currently \$15,000, by 2.5 per cent a year to 2000.

Attracting more tourists from France, Italy, and eastern Europe is another priority for an industry largely sustained by tourists from the UK and Spain, which account 22 per cent of bed-nights each. Portugal's other main markets are Germany, which accounts for 17 per cent of bed-nights and the Netherlands, accounting

for 9 per cent.

Besides diversification of markets, destinations and products, Portugal is investing in improving the professionalism of those employed in industry and in the quality and variety of accommodation and services. Between 1994 and 1996, the government, with support from the European Union, plans to make \$75bn available to stimulate private investment in the industry. It expects this to mobilise total investment of \$200bn. An entrepreneur planning to restore a historic building in

Idanha-a-Velha, for example, would qualify for a grant of 40 per cent of the total investment.

"We have launched initiatives and programmes - many of them truly pioneering - conceived to make the country a competitive international tourist destination, with prestigious products offered under a clear and specific brand image," says Fernando Faria de Oliveira, trade and tourism minister. "Our goal is to ensure that the main attributes of tourism in Portugal are quality, variety and safety."

FT SURVEYS INFORMATION	
FORTHCOMING SURVEYS LIST	Tel: +44 (0)171 873-3763 Fax: 873 3062
SURVEY SYNOPSIS	Tel: +44 (0)171 873-3763 Fax: 873 3062
BACK NUMBERS	
£1.20 up to one month previous. Personal callers £1	
£1.60 one month to one year previous	
	Tel: +44 (0)171 873-3324
SURVEYS INDEX (2 years) £2	Tel: +44(0)171 873-3213
REPRINTS Quotes available for minimum 100 order	
	Tel: +44 (0)171 873-3213
ADVERTISING	Tel: +44 (0)171 873-3763
EDITORIAL Information should be sent in writing to the Commissioning Editor for the survey concerned, Number One Southwark Bridge, London SE1 9HL, or fax +44 (0)171 873-3076 or (0)171 407-5700	
Cheques and postal orders for the FT Surveys Index and Back Numbers should be made payable to Financial Times Ltd.	

In the islands of the Azores even the volcanoes are at rest!

AZORES

Unlikely as it seems, to climb down inside an Azorean volcano is to experience a silence and solitude rarely found in nature.

Witness the picture on the left.

This is Lagoa das Sete Cidades - Lake of the Seven Cities - in a volcanic crater whose most violent activity is the disturbance on the water from visitors' oars.

The same stillness which typifies the Azores is found in the Colada, crater of the volcano that gave birth to the smallest island, Corvo, or the Faial.

Not to the south, confined to the valley bottom.

From the summit of the dormant volcano, Pico on the island of the same name, four other islands can be viewed.

Faial with its famous marina, Terceira with Angra do Heroísmo its main city classified by UNESCO as world heritage site, São Jorge with its cartwheels of cheese and Graciosa with its windmills and vineyards in the hills.

Along the slopes to beaches such as Santa Maria and to the natural swimming pools where you can enjoy the refreshment of being able to cool down by diving into the crater of a volcano.

Azores

The thrill of discovery. **Portugal**

ICEP Investimentos, Comércio e Turismo de Portugal. Portuguese Trade and Tourism Office.
2nd Floor, 22-23A, Southwark Street, LONDON W1X 102. Tel: (0171) 494 14 41 Fax: (0171) 493 18 20.

Number One in Portuguese Banking

Caixa Geral de Depósitos, S.A., established in 1876, is Portugal's largest bank. As an universal bank, CGD operates an extensive 500 branch network offering a wide range of financial services in the domestic and international markets. CGD leads Portugal's most important financial group with major subsidiaries in commercial banking, insurance, leasing, factoring, fund management, real estate and venture capital.

CGD's expanding international activity is also backed by its subsidiaries: an offshore branch in Madeira, a full branch in Paris, a bank in Brazil, two banks in Spain, a bank in France and a network of correspondents in more than 100 countries.

A solid institution and a diversified Group to offer you a complete financial service worldwide.

CAIXA GERAL DE DEPOSITOS

Rely on Us

International Department (Lisbon) Tel. (351) (1) 790 50 18 Fax (351) (1) 790 50 68 - Madeira Offshore Branch (Funchal) Tel. (351) (91) 23 10 20 Fax (351) (91) 23 30 92 - BRAZIL - Banco Financeiro Português (São Paulo) Tel. (55) (11) 35 81 01 Fax (55) (11) 35 91 76 - (Rio de Janeiro) Tel. (55) (21) 223 42 52 Fax (55) (21) 293 74 73 - FRANCE-Paris Branch Tel. (33) (1) 40 69 54 00 Fax (33) (1) 40 70 03 09 & Banque Franco-Portugaise (33) (1) 45 23 30 40 Fax (33) (1) 42 46 78 05 - SPAIN - Banco de Extremadura (Caceres) Tel. (34) (27) 24 83 00 Fax (34) (27) 24 91 18 & Banco Luso-Español (Madrid) Tel. (34) (1) 411 62 23 Fax (34) (1) 562 28 56.

20/11/2015

ADVERTISEMENT

A Review By UniForum UK

The Open Option

By Bernard Hulme, senior vice president and managing director of the Europe and international division of SCO

Most companies now acknowledge the benefits of open systems. However, they define the concept very differently. Some think that a PC environment is open, some that NetWare gives them an open system, and some that Microsoft is open.

In the short term they are right, but what matters is that users realise that by fol-

lowing any of these routes they are being driven to depend wholly on one supplier.

It is important for users to be able to mix and match all the good aspects of what is offered by different suppliers, and this is what UNIX allows. The issue for UNIX vendors is to ensure that they meet the needs of users in terms of supporting their business critical applications.

People buy UNIX not because it is UNIX, but because of the applications that are available for it. The

fact that we have over 8,000 third party applications that run on SCO UNIX is what generates the market demand for our product.

UNIX is now established as an application server standard because it offers real advantages to users. It offers enormous scope for system expansion on the highly scalable Intel platform, has good systems management and communications tools and is extremely resilient.

In essence, UNIX users can develop solutions to their business problems



Bernard Hulme, senior vice president and managing director of the Europe and international division of SCO

TETRA CASE STUDY:

Lanier

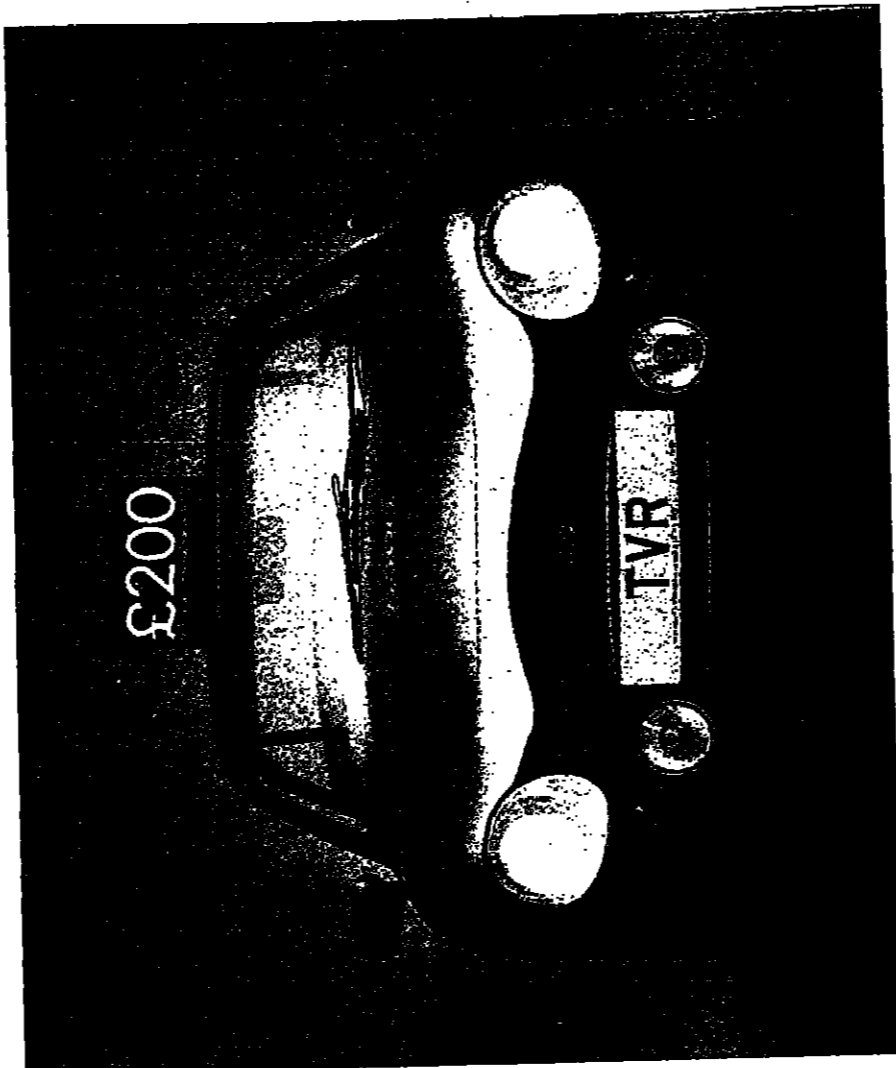
Lanier Consolidates with Chameleon 2000

Lanier Worldwide Inc. is a global organisation with offices in the Far East, the Americas, Australia, Near East, Africa and Europe. It is a subsidiary of the United States based Harris Corporation, turning more than \$1 Billion US a year in the supply of office equipment. The Company's success has been built on the twin themes of Customer Vision™ and technical innovation both in product development and in its IT systems, where it has operated with an Open Systems policy since the late 1980's.

When, as Harris/AM, it began selling up a European operation in 1986, Lanier chose Tetra Chameleon - one of the first multi-lingual, multicurrency and multiser finance and distribution software systems to interface directly with Informix and other standard UNIX products. Lanier felt that it would be able to establish a partnership with Tetra and contribute to the ongoing development of the software as both companies expanded their operations into Europe.

Today, Lanier controls its accounting and distribution on Tetra's Pan European Chameleon 2000 software running on Unisys and Sequent hardware, in 11

For further information please contact: Mike Staps at Tetra Ltd on 01628 770939.



£200

TVR

If only...

You'll never find such a combination of price and performance in a car.

In an application server operating system, it's another story. With the launch of Novell UnixWare 2, there is now a contender with the power, scalability and reliability needed to run mission-critical applications across industry standard hardware platforms (Intel and SPARC).

Novell UnixWare 2 brings the reassurance of proven next generation (SVSB) UNIX technology, and the most advanced and sophisticated symmetrical multiprocessing (SMP) architecture.

In fact, it's so sophisticated, it outperforms not only competitive Intel UNIX operating systems, but also proprietary mid-range systems - at a fraction of their price.*

Introducing UnixWare 2.

Literally thousands of software applications are now available for a rapidly growing list of hardware platforms.

So stop dreaming. To find out more about the new standard in UNIX operating systems, call Novell on 0800 177377. Alternatively, contact your nearest reseller.



Right performance. Right price. Right now.

NOVELL



*Performance based benchmarks tests show that UnixWare 2 is a multi-processor system offering superior performance to competing systems. Performance per CPU level the nearest IBM-based UNIX only delivers 60% of UnixWare 2's performance.

- AA • Barclays Bank •
- British Telecom • Bull • Comtec •
- Coopers & Lybrand • CSTLynxserv •
- Crown Agents • Data General • DHL •
- Digital • DTI • Ernst & Young • GCHQ •
- Hewlett Packard • Informix • Intel • KPMG •
- ICL • IBM •
- Inland Revenue •
- Leeds City Council •
- Metropolitan Police •
- MOD •
- National Savings •
- News International •
- Novell • Oracle Corp UK •
- Price Waterhouse • Reuters •
- Tandem Computers •
- Tetra • The Wellcome Trust •
- Trafalgar House •
- Travis Perkins • Unisys •
- Westbase Technology •
- West Yorkshire Police •
- Wick Hill • Xi Software •

These are just some of the hundreds of the corporate and vendor members of UniForum UK. UniForum UK is an independent, non-profit making association for the UK's open systems users and vendors. Our aim is simple: to promote the benefits and commercial advantages of open systems. By becoming a corporate or trading member, you can share in the advances being made on your behalf by UniForum UK in the IT industry.

Our latest initiative concerns trading standards and the publication of UniForum UK's Trading Standards Code of Practice. There now exists a unique opportunity, under the UniForum UK banner, for vendors and users to demonstrate the value of using the Code of Practice to raise confidence in the purchase of open systems hardware, software and support services, including IT training.

If you wish to know more about UniForum UK's work in Open Systems, membership benefits including unbiased market information, seminars, publications & study tours, contact Phil Flaxton on 0181 332 0455.



UniForum UK
9-11 EBC House, Kew Road, Richmond Station Buildings,
Richmond Upon Thames, Surrey TW9 2NA
Tel: 0181 332 0455 Fax: 0181 332 0448

Who's setting
the standards
for open systems

FI

Boeing awarded \$1.2bn SAS deal for new aircraft

SAS has ordered 18 Boeing 737-400 aircraft for a total value of \$1.2bn. The deal includes options for a further 18 aircraft. SAS is the first European airline to order the 737-400.



Car makers plan \$400m deal
The Renault and Nissan car companies are planning a \$400m deal to acquire a 10% stake in the Japanese car company, Daihatsu.

Indian economy grows 7.5%
The Indian economy grew by 7.5% in the first quarter of 1995, according to the latest figures from the Indian government.

Treasury to sell \$100m of bonds
The US Treasury is planning to sell \$100m of Treasury bonds in the next few weeks.

Credit Lyonesse moves to Paris
Credit Lyonesse, a French bank, is moving its headquarters from Lyon to Paris.

Argentina's \$5.5bn rescue
Argentina has received a \$5.5bn rescue package from the International Monetary Fund (IMF).

Election push in Singapore
The Singaporean government is pushing for an election in the next few months.

Philippines seeks European aid
The Philippines is seeking aid from the European Union to help with its economic recovery.

German groups left undecided
German groups are still undecided on whether to support the new German government.

Japanese deregulation disappoints
Japanese deregulation has disappointed many investors, who were expecting more liberalisation.

Soltey's build on success
Soltey is building on its success in the UK market by expanding into other European countries.

Syria and Israel to resume talks
Syria and Israel are planning to resume talks on the peace process in the next few weeks.

Denmark favours a two-stage process
Denmark favours a two-stage process for the introduction of the euro.

Former Nigerian leader moves to UK
A former Nigerian leader has moved to the UK to start a new life.

British soccer stars arrested
British soccer stars have been arrested on suspicion of drug possession.

STOCK MARKET INDEXES

FTSE 100	2,150.00
Nikkei 225	12,500.00
DAX	1,800.00
IBEX 35	1,500.00
SEMI	1,200.00

US DOLLAR RATES

US Dollar	1.00
British Pound	0.65
Japanese Yen	100.00
Swiss Franc	0.75
French Franc	6.55

OTHER RATES

Gold	350.00
Oil	20.00
Gas	1.50
Coal	10.00
Wheat	5.00

MONTHLY DATA

Jan	100.00
Feb	100.00
Mar	100.00
Apr	100.00
May	100.00

THE FINANCIAL

Page 1	100.00
Page 2	100.00
Page 3	100.00
Page 4	100.00
Page 5	100.00

A marriage of minds



Fujitsu ICL is the new brand name for ICL PCs, servers and multimedia products.

ICL makes high-performance personal computers and servers which look superb and are a delight to use. Fujitsu is renowned for its technical excellence. Branding our products Fujitsu ICL is a token of our resolve to bring you the best of both worlds. The Fujitsu ICL brand stands for advanced technology and quality focused on the comfort and productivity of the user. Fujitsu ICL products embody the ideal combination: Japanese levels of

technology and engineering plus European style and user-centred design - at affordable prices. ICL is a member of the Fujitsu family - the second-largest computer group in the world. So when you buy a Fujitsu ICL product, you know it's from a supplier that will be there for you, however rapidly technology may develop or markets may change.

Fujitsu ICL. A true marriage of minds.

For more information about the Fujitsu ICL product range please phone:

- UK: 0345 44 11 22
- FRANCE: 34 65 80 70
- GERMANY: 61 34 72 67 67
- HOLLAND: 03465-575 00
- DENMARK: 44 89 44 01
- SWEDEN: 08 793 8200
- NORWAY: 22 89 39 02

FUJITSU ICL

ICL Fujitsu ICL Trading, ICL Volume Products, Lovelace Road, Bracknell, Berks, RG12 8NN, Tel 0345-44 11 22.

1501150